FOREIGN
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Daily Report
Supplement

Central Eurasia

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FBIS-SOV-95-161-S
Monday
21 August 1995

Central Eurasia
SUPPLEMENT

FBIS-SOV-95-161-S *21 August 1995*

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***CIS Drug Trafficking Routes Detailed**

954WD0417A Riga DIYENA in Russian 13 Jul 95 p 5

[Article by P. Shirov: "CIS—One of Main Narcobusiness Transshipment Points"]

[FBIS Translated Text] Moscow, 10 July—Officially it appears there were no drug addicts and no drug addiction in the USSR. In reality, of course, they were there but no one acknowledged their existence, even though the Criminal Code contained an article stipulating criminal liability not only for distribution of narcotics but also for their possession and use. That certainly did not mean, however, that there was a struggle against narcotics. Pushers and transporters of drugs were being caught and ended up in jail. If they did not get caught they continued with their business, which was profitable even in those years. In the early eighties this writer even had the opportunity to acquire something that was called heroin at a tobacco stand in Sukhumi. What it really was I do not know, but the technique was as follows: one approached the stand and placed a three-ruble note on the counter holding on to it with one hand. Nothing had to be said to the vendor; he understood what you wanted. A small packet with white powder was exchanged for the three-ruble note. Who knows, it is possible that in Moscow it was worth six rubles.

In the early eighties, by the way, it became clear that drug addiction is not a vice of the decaying capitalist world alone, but a disease that could afflict anyone, regardless of country of residence. Being "on the needle," which was quite widespread among the bohemian youth even at that time, subsequently became the topic of movies and literary works. In addition, "grass" was smoked in the army, in places of incarceration, and generally in youthful company. In the "southern republics"—in the Caucasus and Central Asia—this was somehow a natural thing. Initial press coverage prompted the authorities to take some measures. It was at this time that the well-known "operations poppy" began when police helicopters covered thousands of square kilometers of Central Asia in search of hemp fields and poppy plantations, while those who have never even seen any narcotics were deprived of baked goods with poppy seeds.

The authorities, however, failed to take note of the main source of the narcotics. While some helicopters were seeking poppy plantations and hemp fields lost in the steppes, other helicopters and aircraft were transporting processed drugs from Central Asia both to the central areas of Russia and beyond its borders. Afghanistan was the supplier. Soviet troops who fought there themselves smoked and injected drugs while also earning income through delivery of "white gold" to Moscow and other cities, from where it often flowed to Europe. Soviet border guards who carefully watched to make certain no one illegally departed from the "Soviet paradise" allowed packages with powder similar to what was available for purchase in Sukhumi, to slip by. Officially drug addiction did not exist in the USSR which meant that there was no drug smuggling either.

In reality, however, smuggling did exist and exists at the present time as well. The route also remains the same: Afghanistan-Central Asia-Central Russia-Europe. That is the main route. There are several more: Caucasus-Russia (or Ukraine)-Europe. The last segment is also subdivided: the air route from Moscow to Europe is the most risky and unreliable one since strict control exists at the airports. It is much more reliable and cheaper to ship by sea out of St. Petersburg or by road through Belarus and Poland to Germany, to Poland and beyond through the Baltic nations, or from the Baltic region by sea to Germany and the Scandinavian countries. Specialists of the Federal Security Service of the Russian Federation believe, however, that the smallest flow occurs through the Baltic region. It is simpler to reach Europe through Ukraine and Belarus. An agent of the FSB [Federal Security Service], who requested to remain anonymous for obvious reasons, states: "The main drug route does not even pass through Moscow. It is more of a resale than a transshipment point. They bring it in, sell it, and go home. The Moscow drug dealers decide on their own what to ship to the West and what will sell locally. It is easier through Ukraine. Border control there is quite poor. Almost no inspections are being made on the border with Russia. A motor vehicle, for example, is en route from Rostov-on-Don to Kharkov. Who is going to search for drugs in it? They will take a peek at the trunk and the vehicle is allowed to proceed. The trunk, however, might contain a package wrapped in a dirty rag with two-three kilograms in it, which is sufficient to earn enough to last half a lifetime. Further on these drugs reach Western Ukraine where Polish couriers carry them to their country. The border is a lot stricter but they have their own routes, their 'own' customs officers. From Poland they can go anywhere."

According to unconfirmed data, the "military" route out of Afghanistan also continues to operate. Russian border officials reship "goods" received from the Afghans from the Tajik-Afghan border to Russia. From there they follow along the already described route. The FSB has information on military drug couriers but "agency interests" come into play here and it is possible to catch a military person smuggling drugs. Subsequently a lot of problems develop with the Ministry of Defense or the

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border troop command. Therefore so far not a single military person has been prosecuted in connection with that. For the most part members of criminal syndicates are the ones being prosecuted. In Moscow, the so-called "Lyuberetkiy" gang, in addition to other things, is also engaged in the transportation of drugs. There are several other similar gangs in other Russian cities—in Volgograd, for instance. Before the start of the Chechen war, there used to be quite a lot of "goods" coming in from Groznyy as well, from both local production and by transit from Azerbaijan and Central Asia. The FSB attributes the organization of this to followers of Dudayev. The Chechens, naturally, are rejecting that accusation. The fact of transportation of narcotics from Chechen to Moscow, however, has been recorded more than once.

It is somewhat difficult to prove the involvement of an individual in the narcobusiness. Most of the couriers are mainly caught "with the goods," but the couriers do not acknowledge knowing anyone, and if they do betray someone it is likely to be other couriers. The drug dealers themselves, however, attempt not to establish too many ties. Therefore, according to our anonymous FSB agent, there are almost no successful operations to interdict drug smuggling channels.

The recently caught kingpin in the gang operating below Moscow, who operated such a channel, is almost the sole case. It is also very likely that if he does go to prison it will be not for the drugs but something else. Although it is known that it was he who managed deliveries of goods from Afghanistan and Tajikistan, there is no material proof of that and the court may not recognize the statements made by detectives.

At the same time the "goods" are coming in and will continue to come in. My interlocutor from the FSB just shrugs his shoulders: "There is no question; after all this is the most profitable business of our time."

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*Additional Measures To Protect Shareholders Mandated

Text of Edict

954E1237A Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 6

[Edict of the Russian president "On Additional Measures To Protect the Rights of Shareholders"]

[FBIS Translated Text] For the purpose of expanding the rights of shareholders in the management of joint-stock companies, regulating processes involved in changing statutory capital of joint-stock companies, and ensuring the property rights of shareholders I hereby decree:

1. Ascertain that the right of shareholders-owners of common stock of a joint-stock company to take part in a general meeting of shareholders with voting rights—and in cases stipulated by federal law or by-laws of the joint-stock company, that of shareholders-owners of preferred stocks—cannot be restricted by a decision of the meeting of shareholders of a joint-stock company, its board of directors, or by other organs or individuals.

The list of shareholders with the right to participate in a general meeting of shareholders of a joint-stock company cannot be compiled by its board of directors earlier than 60 days prior to conducting the general meeting of shareholders.

2. Ascertain that the board of its directors announces the holding of a general meeting of shareholders of a joint-stock company by forwarding a written notification or publishing that information.

The form to be used in announcing the holding of a general meeting of shareholders of a joint-stock company to the shareholders, including that used in a printed organ when announced in published form, is established by the by-laws of the joint-stock company or based on a decision reached at the general meeting of shareholders of the joint-stock company.

Written notification regarding the conduct of a general meeting of shareholders of a joint-stock company is sent to shareholders and nominal holders of shares at the address indicated in the register of shareholders of the joint-stock company.

3. Ascertain that in the course of preparations for the conduct of a general meeting of shareholders of a joint-stock company, its board of directors provides shareholders with materials necessary for the resolution of issues included in the agenda of that general meeting of shareholders, and if the appropriate issues exist, with information on candidates for the board of directors (supervisory council) and the auditing commission of the joint-stock company, together with a draft of changes and supplements proposed for the by-laws of the joint-stock company, or the draft of the by-laws of the joint-stock company in a new version.

The materials subject to mandatory submission to shareholders in the course of preparations for conduct of an annual general meeting of the shareholders of the joint-stock company include the draft of the annual report of the joint-stock company and conclusions of the auditing commission (auditor) regarding results of the annual audit of the financial-economic activity of the joint-stock company.

4. Introduce changes and additions in accordance with the supplement in the edict of the president of the Russian Federation of 27 October 1993, No. 1769 On Measures To protect the Rights of Shareholders.

5. This edict goes into effect on the date of its publication.

[Signed] B. Yeltsin, president of the Russian Federation

[Dated] Moscow, the Kremlin, 31 July 1995

No.784

Text of Statute

954E1237B Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 6

[Changes and additions to the edict of the Russian president of 27 October 1993, No 1769 "On Measures To Protect the Rights of Shareholders"]

In the edict of the Russian president of 27 October 1993, No 1769 On Measures To Protect the Rights of Shareholders:

A. Paragraph 4 of Point 3 is to be replaced with text reading as follows:

The holder of the register of shareholders must:

Ensure access for authorized personnel of the issuer, as well as for every registered individual holding 1 or more percent of the common shares of the joint-stock company, to data of the register of shareholders in the course of the business day;

Open a personal account for every shareholder or nominal holder of shares in the system of the register of shareholders and conduct operations with the personal accounts of shareholders and nominal holders of shares only on their instruction;

Make all necessary changes and additions in the register of shareholders;

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Inform the shareholders and nominal holders of shares recorded in the system of the register of shareholders regarding the rights verified by securities, and the methods and order of realizing those rights;

Prepare and issue excerpts from the system of the register of shareholders.

B. The second paragraph of Point 4 is to be replaced with text reading as follows:

The agreement between the joint-stock company and holder of the register of shareholders constitutes the instruction for maintenance of the register of shareholders of the joint-stock company. The agreement regarding maintenance of the register of shareholders is concluded by the joint-stock company with only one legal body.

The specialized registrar is a legal body which maintains the register of shareholders of the joint-stock company on the basis of an agreement concluded with the appropriate joint-stock company. Nominal holders of shares and shareholders of the corresponding joint-stock company may not serve as a specialized registrar.

The joint-stock company that delegated the maintenance of the register of shareholders of the joint-stock company to a specialized registrar is not relieved of the responsibility for its maintenance and preservation.

The specialized registrar must inform the joint-stock company concerning all changes in the register of shareholders of the joint-stock company in the order and by deadlines established by the agreement and in cases envisaged by legislation of the Russian Federation, submit to the joint-stock company a list of shareholders and nominal holders of shares and conduct a monthly verification of the number and categories (types) of placed shares as well as those shares the transfer of which was carried out by registered individuals.

The holder of the register of shareholders does not have the right to conduct transactions with shares registered in the name of individuals of the joint-stock company in the register of shareholders of the joint-stock company which he is maintaining, with the exception of the buyout of its own shares by joint-stock companies in accordance with legislation of the Russian Federation.

Shareholders and nominal holders of shares must notify the holder of the register in a timely manner of any changes in information on themselves. If the indicated individuals fail to submit notification of changes in information on themselves, the joint-stock company does not bear responsibility for losses caused such individuals.

C. Point 8 is to be supplemented with text which reads as follows:

With an increase in statutory capital of an unlimited joint-stock company through the issuance of additional shares, including cases involving reevaluation of the capital stock of the joint-stock company, the general meeting of shareholders makes the decision:

Regarding an increase in the size of the statutory capital through the issuance of additional shares and the introduction of changes in the by-laws of the joint-stock company with regard to the amount, category (type), and par value of the shares being issued, and in case of the issuance of additional preferred shares, with regard to the rights being granted by them;

Regarding introduction of changes in the by-laws of the joint-stock company upon termination of the placement of the issue of shares on the basis of the report on results of the issuance, adopted by the board of directors, concerning the size of the statutory capital comprised of the par value of shares of the joint-stock company acquired by the shareholders.

With the adoption of a decision on increasing the statutory capital of an unlimited joint-stock company by means of the issuance of additional shares, including cases involving overestimation of fixed capital of the joint-stock company, the general meeting of shareholders may adopt a decision granting the shareholders the right of first option in the purchase of shares being issued in an amount proportional to the number of shares owned by them.

The board of directors of the joint-stock company notifies the organ of state registration within one week from the day of adoption of the decision concerning an increase in the size of the statutory capital of the joint-stock company and the introduction of changes in the by-laws of the joint-stock company with relation to the amount, category (type), and par value of shares being issued, as well as in cases of the issuance of additional preferred stock, with regard to the rights being granted by them.

The board of directors of the joint-stock company informs the organ of state registration within one week from the day of adoption of the report on the results of the share issuance by the board of directors concerning the introduction of changes in the by-laws of the joint-stock company upon termination of the placement of the issue of shares on the basis of the report on results of the issuance with regard to the size of the statutory capital comprised of the nominal value of shares of the joint-stock company acquired by shareholders.

The decision regarding the increase in statutory capital of an unlimited joint-stock company through the issuance of additional shares, including overestimation of

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fixed capital of the joint-stock company, may be adopted at the general meeting of shareholders of the joint-stock company only with the observance of the requirement concerning notification of all shareholders of the joint-stock company on the conduct of the general meeting with an indication of the date and place of that meeting as well as the issues on the agenda.

Shareholders of the unlimited joint-stock company who were not present at the general meeting of shareholders or who voted against the adoption of the following decisions at the general meeting of shareholders have the right to demand appraisal and buyout of the shares they own by the joint-stock company, if the general meeting of the shareholders adopts decisions:

Regarding reorganization of the joint-stock company;

Regarding the conclusion of a transaction or several related transactions connected with the acquisition or alienation of property of the joint-stock company the value of which amounts to over 50 percent of the book value of the assets of the joint-stock company on the day of the adoption of such a decision;

Regarding the introduction of changes or additions connected with restriction in the number, total value of shares, or the maximum number of votes belonging to one shareholder in accordance with shares acquired by him, not covered in the legislation of the Russian Federation;

Regarding an increase in the statutory capital of the joint-stock company without granting shareholders the right of first option of acquiring shares being issued in an amount proportional to the number of shares belonging to them.

Shares being bought out from shareholders are subject to redemption not later than two days after their buyout.

The joint-stock company does not have the right to carry out the buyout (or) quoting of securities issued and placed by it, with the exception of their buyout for the purpose of redemption in accordance with provisions of the legislation of the Russian Federation and this edict.

D. Include a new Point 10 with the following content:

10. The shareholder, as well as the parent company in relation with the subsidiary joint-stock company are jointly liable with the corresponding joint-stock company (subsidiary joint-stock company) for transactions concluded by the latter in fulfilling instructions of the shareholder or the parent company binding for that joint-stock company (subsidiary joint-stock company).

The shareholder or the parent company are considered as having the right to issue instructions correspondingly to the joint-stock company or the subsidiary joint-stock company which are binding for it only in cases when that right is stipulated in the agreement with such a joint-stock company or in the by-laws of the corresponding joint-stock company or subsidiary joint-stock company.

The shareholder or the parent company are not considered as having the right to issue instructions to the corresponding joint-stock company or subsidiary joint-stock company, binding for them, if compliance with such instructions requires a decision of the board of directors or the executive organ of the corresponding joint-stock company or subsidiary joint-stock company.

The shareholder or the parent company bears subsidiary liability for debts incurred by the corresponding joint-stock company or subsidiary joint-stock company in cases of insolvency (bankruptcy) of the corresponding joint-stock company or subsidiary joint-stock company which occurs due to the fault, correspondingly, of the shareholder or the parent company. The insolvency (bankruptcy) of the corresponding joint-stock company or subsidiary joint-stock company is considered as having occurred due to the fault of the shareholder or the parent company only in cases when the shareholder or the parent company, correspondingly, utilized the possibility available to them to determine the decisions being adopted by the corresponding joint-stock company or subsidiary joint-stock company for the purpose of action by the latter knowing beforehand that the consequence of such action under ordinary management conditions would result in insolvency (bankruptcy) of the corresponding joint-stock company or subsidiary joint-stock company;

E) Point 10 is to be considered Point 11.

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Political Issues

Moscow Police Investigate FSBR Activities

954F3077A Moscow KOMMERSANT-DAILY in Russian 27 Jul 95 p 14

[Article by Dmitriy Pavlov: "The Investigation Bureau Was Headed by a Law-School Dropout, a Criminal, and a Former Employee of the President's Administration"]

[FBIS Translated Text] Moscow's Khoroshevskaya Procuracy is concluding its investigation in the case of the Federal Investigation Bureau of Russia [FSBR]. This bureau is famous for the fact that its personnel walked unmolested through the streets of Moscow with pistols and assault rifles, and so that this should not arouse anyone's suspicions, they themselves issued themselves authorization for the weapons. The law enforcement agencies learned of the FSBR two years ago. But this organization, which was not registered and did not get a license for security activity, existed quite prosperously until the middle of 1994. Then two of the leaders of the FSBR were arrested: Yuriy Shipulin and Ivan Vorontsov. The former is charged under eight articles of the Criminal Code; and as for the latter, he is charged with 60 criminally punishable incidents. Soon the FSBR case will go to court.

A Third-Year Student Shows Talent as an Organizer

In 1992, an enterprising third-year student at the Moscow Law Institute, Yuriy Shipulin, decided to organize a "new-generation" investigation agency, offering its clients the most varied services, from their physical security to placing "umbrellas" at the disposal of commercial structures. Over the long term, the student, with the help of his organization, promised to resolve the problem of crime in Russia: He proposed to create a special subdivision that would begin methodically shooting the leaders of criminal groups. Organizational experience was something the third-year student already had: In his home town of Yessentuki he scraped together a youth brigade that patrolled the streets. True, at the beginning of 1992 he had to leave Yessentuki in a hurry: The city procuracy had instituted a criminal case against him concerning an incident of the theft of six GAZ-24 Volga cars, which Shipulin took to sell at a taxi park and did not return the money for.

In the difficult matter of creating such a mighty structure, Shipulin's friends Ivan Vorontsov and Anatoliy Levitov offered him their assistance. Vorontsov had worked for some time in the administration of the president of Russia, where he carried out work with documents. It is true, he was quickly ousted from that job for some dubious manipulations with the presidential letterhead. Nevertheless, his work in the administration was not a bad school for the 20-year-old novice scamster.

The unsuccessful journalist Levitov was much older than his young colleagues. He had criminal experience (in 1961 he was convicted of economic crimes). Levitov represented himself to those around him as a former colonel in the Main Intelligence Directorate, who had been in Afghanistan, Korea, and many other hot spots. Later, when he really was moving in the milieu of special services veterans, Levitov proudly reported that he had done highly secret work, and therefore no one knew about him.

On 2 April 1992, a constituent assembly was held. Taking part in it were four of Shipulin's fellow townsmen and two Muscovites who had hooked up with them. It was decided to name the new organization the Federal Investigation Bureau of Russia [FSBR]. Yuriy Shipulin was unanimously elected president of the FSBR. Ivan Vorontsov became the head of the public-relations center. As for Levitov, he received the post of intelligence service chief.

FSBR forms and certification and identification documents of a very professional level were printed at the First Standard Printing Plant. Significant support in this was rendered by a number of senior officers of the Ministry of Internal Affairs and the Federal Counterintelligence Service. As a model, Shipulin took "papers" of former USSR KGB workers. On the new-fledged document was written, in Russian and English: "The Government of the Russian Federation, the Ministry of Internal Affairs of Russia, the Federal Investigation Bureau of Russia." The owner of this certification was entitled to keep and use special equipment and authorized-issue weapons, free access to all organizations and institutions, and also travel free of charge on city and intercity transportation.

The Bureau Sends Out Telegrams

The certification document's powers were first tested by Ivan Vorontsov in Sochi, where he was staying on vacation in the summer of 1992. There, during a document check, he presented the police with his FSBR documentation and promised to look into them in his own way and even to punish them for poor work. The policemen decided not to tangle with the menacing holder of the hitherto unknown document, and they released Vorontsov.

Another time, one of Shipulin's friends, using his FSBR identification, got from Yessentuki to Moscow on a train free of charge. He simply showed up at the line's internal affairs department and announced that he was

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carrying out an especially important secret mission for the Government of Russia. The policemen personally seated him in the car and wished him a good trip.

In the capital, Shipulin and his friends operated extremely actively. On their forms they sent telegrams and faxes to practically all government and major commercial structures. In the messages it was proposed that immediate assistance be rendered the created bureau. Businessmen, if the proper attitude was taken toward the bureau (that is, if financial support was rendered), were guaranteed a solid "umbrella" and various security services. In autumn of 1992, there came out an order from the minister of internal affairs under the number 117-RMP, 11 November. In it, the creation of the Federal Investigation Bureau of Russia was confirmed, with the conferral on its personnel of internal forces ranks and authorization to carry and use special equipment and authorized-use weapons. Somewhat later, a similar document appeared, now with the signature of President Yeltsin. Both orders were published by Shipulin himself, but no one doubted their authenticity.

Having come to believe in the FSBR's reliability, a number of merchants really did transfer money into the investigation bureau's development fund. In addition, having heard about the all-powerful "papers," former law enforcement agency employees started coming to the bureau to work as well. And in the spring of 1993, Shipulin even went out to the Dzerzhinskiy Division. There he offered servicemen who had been transferred into the reserves work at his bureau. Several individuals agreed.

Those who wished could also simply purchase a certificate for $300; if a pistol were thrown in with the "mandatory extra," then one had to shell out $4,000. This was the way that the leaders of the Solntsevo criminal grouping Mikhas and Avera armed themselves. On the lists of the bureau's armed employees, who later ended up in the hands of the Moscow RUOP [Regional Organized Crime Administration] are several highly placed workers in the Moscow Government, and even one cosmonaut.

In time, the underground bureau came to number more than 300 employees, half of whom were authorized to carry firearms. FSBR headquarters were located on the 11th floor of the building of the former CEMA on the New Arbat. Branches of the bureau were opened in Stavropol, Murom, Kaluga, and Vladimir. President Shipulin rode around the capital in a car with flashing lights (interestingly, at service stations he refueled for free). For the resolution of his housing problems (he did not have Moscow residency permit), he planned to take under his protection the former Council of Ministers sanatorium "Rus."

The FSBR's future seemed to be limned in bright tones. Shipulin and Vorontsov even planned to infiltrate their people into the government and the power ministries. The bureau leaders also decided to render both material and official support to state bureaucrats and military men loyal to the FSBR.

Outside the Law

Thus, at the end of 1993 and the beginning of 1994, there were in Moscow 300 FSBR people, some of whom were armed with assault rifles and pistols. And this despite the fact that the bureau was nowhere registered and was operating without the appropriate licensing, that is, virtually outside the law. The bureau's workers, sensing complete freedom, conducted themselves in a more and more arrogant manner. Thus, Vlasov, a worker in the operations section, with the help of an official document attempted to rob a passerby. He showed him his identification and demanded that he present his carryall for inspection. The passerby did not submit, and police officers arriving in time detained Vlasov.

Late on the evening of 22 June 1993, a group of six FSBR employees, headed by Vorontsov, in camouflage uniform, sauntered along Fuchik Street. They stopped two passersby, who tuned out to be police officers in civilian dress, and, presenting their certification, attempted to establish their identities. The police officers detained all six. During a search at the police station, several gas pistols, small cylinders of tear gas, and handcuffs were found on the FSBR employees. Some time later, five were let go (after having confiscated their identification documents, it is true), and one (Khrenov) was charged with holding and carrying a telescopic cudgel, acknowledged to be a cold weapon. The next day, the police received an indignant letter on FSBR letterhead from Shipulin. The president of the bureau was outraged at the policemen's arbitrary behavior, and demanded that the secret agent Khrenov be released. Nevertheless, a criminal case was instituted.

At the end of October 1993, RUOP officials intercepted a car containing an unregistered radio broadcasting station. The driver said that he had gotten the device at the office of Telephone Systems of the Future. When the task force got there, they were startled at the sight of the firm's guard, Stepin, armed with a Kalashnikov assault rifle. Stepin produced for the police officers his FSBR identification, with a stamp authorizing him to carry the weapon. This did not faze the RUOP officers, and Stepin was detained. During questioning, he indicated that he had received the assault rifle from Vorontsov. Soon

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Vorontsov was also arrested. However, he remained in detention only briefly. Highly placed FSBR members intervened in the case, and the investigator let the crook go. It should be noted that this was the FSBR's first serious reversal.

In March of 1994, RUOP officers detained Shipulin himself. Along with five subordinates, he had squeezed $10,000 out of one Moscow merchant. For greater persuasiveness, they had held the businessman over the course of several days in one of the FSBR offices, having first taken possession of his car and video equipment.

In the end, Vorontsov ended up behind bars as well. At the end of June, he tried to get $47,000 at the Foreign Trade Bank with counterfeit documents. The bank's security service discerned the scam and detained the head of the FSBR's public-relations center. A criminal case was instituted against him.

At the beginning of July, RUOP agents conducted a general search at the FSBR headquarters and in the apartments of its associates. Sixteen rifled weapons were confiscated, a large quantity of documentation, and numerous forms with the presidential and government letterhead.

The FSBR case will soon go to court. President Shipulin is charged with eight criminally punishable incidents, from document forging to extortion. Public-relations center head Vorontsov is charged with more of the same—60. RUOP officials are convinced that the rout of the FSBR is definitive. Nonetheless, police officers are still scooping up former employees of this bureau. Thus, the latest—Tula resident Raul Bronshteyn—was detained in January of this year. Only Anatoliy Levitov, who was one of the first characters in the FSBR, still has not been apprehended by the investigation: Evidently, his criminal experience came in handy.

Economic Issues

*New Automated Vote-Counting System Discussed

954E1256A Moscow DELOVOY MIR in Russian 10 Aug 95 p 1

Article by M. Gelman: "Why Run Down the Computers"]

[FBIS Translated Text] **It is said that during the building of the first railway line in the world some doctors insistently advised that it be enclosed within high walls and even with the installation of a ceiling. They felt certain that otherwise their countrymen would be unable to withstand the noise. At one time people were frightened not just of locomotives but of many other technical innovations as well.**

Something similar is taking place at present in Russian public consciousness with regard to the automated government "Election" system which is now in the process of being created. Much of the mass media and State Duma deputies are scaring us with all kinds of abuses which this GAS [state automated system] can supposedly be subject to. It is not a system, but the evil demon of Russian democracy.

At the same time the GAS is incapable of independently influencing the results of elections since it will not replace the existing technological pyramid of electoral commissions, with Tsentrizbirkom [Central Electoral Commission] at its summit. It will merely replace calculators in the hands of the members of these commissions with personal computers linked with each other through ordinary inter-city telephone channels with digital transmission of data, just like ordinary faxes. In this manner automatic input of data into the computers at each of the lower levels of the pyramid and the computer of the next higher level will be ensured. Consequently many mistakes that occur with the use of ordinary calculators are avoided.

The threat of possible errors is contained for the most part not in the computers themselves. They may be caused by techniques used in counting the votes and in the initial input of the data in the system, as well as in subsequent operations involved in the establishment of contacts between the computers, including the influence of the communication channels themselves.

I emphasize that we are talking primarily about blunders and accidental mistakes made by commission members themselves. The techniques used in counting votes make it possible to reveal those errors through monitoring, which in itself substantially lowers the possibilities for intentional errors, for example forgery. Unfortunately such monitoring, stipulated by federal law on election of deputies to the State Duma, turns out to be incomplete.

In order to increase reliability, any cumbersome count, even an automated one, must be conducted twice. If the results still do not agree, a third count is made and the results are compared with the two preceding ones. It seems that this majority system should be used in summarizing the results of elections as well.

Errors might occur at the very first stage—at precinct electoral commissions. The point is that the indicated federal law does not stipulate the counting of votes twice and the observers are merely given results of the count. Therefore in order to attain higher reliability, a second count of the votes by the election observers themselves must be carried out.

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In accordance with the law, the first copies of vote tally sheets from precinct commissions are immediately dispatched to corresponding territorial electoral commissions. The future GAS starts its pyramid ascent specifically from that level. In the territorial commission the votes received by each deputy and party slate are tallied, after which data on the number of votes is automatically transmitted to the computer of the electoral commission of the corresponding district, and then to that of the subject of the Federation. From where, after further tallying, the data goes to the Tsentrizbirkom computer.

Implementation of the GAS requires the introduction of certain corrections in the law. Otherwise shortcomings in the existing techniques of summarizing election results will create public scandals.

Let us start with territorial commissions. Data from the tally sheets of the precinct commissions is fed into the computers of the territorial commission by an operator—a member of that commission—after which the votes are automatically summarized in accordance with a program. In order to preclude accidental blunders as the data is fed even at this stage, its repeated input should be required by the observers with a subsequent comparison of the voting numbers in both cases. Such monitoring does not require an expansion of technical facilities: the same computers are utilized.

After the automated transmission of data from the lower-level computer to the computer at the data collection centers at the next higher level, such data should be transmitted down again to the level from where it was received in order to monitor accuracy of transmission and receipt. After that it must be automatically compared there with the transmitted data. Then that same lower-level computer station must unseal tally sheets which are compared with initial ones by the observers.

Today such a monitoring procedure is impossible as the law prohibits reverse transmission of data from a higher-level computer to one at a lower level.

The GAS will apparently be used only for preliminary summarization of election results. In accordance with the law, Tsentrizbirkom carries out the final counting of votes, summarizing data from the tally sheets received from district commissions. There are 255 such commissions in the country. Therefore in order to improve the reliability of the final election results at the summit of the pyramid it would be feasible to regulate a parallel control vote count by observers with tally sheets of the district commissions. They are submitted to them now only for familiarization purposes. Such monitoring duplication of the count at Tsentrizbirkom will require only three to four additional personal computers. Should the results of parallel counts fail to agree at some point, then a special commission must be created with participation of members of Tsentrizbirkom and the observers who will determine the errors.

With such a technique duplicated at all stages where voting results are tallied, there is no need for the expensive guarding of GAS against unauthorized access. It will be sufficient to deny "outsiders" access to the main communications channels while the computers themselves are located in rooms accessible only to authorized personnel.

Unfortunately certain responsible officials of Tsentrizbirkom themselves are providing food for conjectures about the GAS in attempting to convince society of the absolute security of the system. In reality GAS is far from that. What is most important is that it does not need such inaccessibility—like a desk calculator—but that is true only if the results are tallied by two independent groups with their own electronic counts.

Some 180 billion rubles were appropriated for the creation of GAS which will be used to purchase 4,954 personal computers produced by the American Compaq firm. The question, however, as to why IBM-compatible computers assembled domestically were rejected was answered by Yuriy Baltrushevich, deputy director of the Tsentrizbirkom Operations Department, who said that a check indicated they were unreliable.

GAS will be working on elections only once every four years. What about the rest of the time? Apparently, in order not to leave the staff without any work it will be receiving and checking lists of voters twice a year. One asks: would it not be sufficient to do that just once, before the elections? Therefore in order for the system not to be idle it must serve not just Tsentrizbirkom. For example, it could also work for Goskomstat [State Statistical Committee] and the tax service as a base system for handling data on the population and the corresponding taxes which are collected. In that case agency resources for maintaining viability of the system will be consolidated, which will require less funds in the aggregate.

*Newly Formed Russian Computer Union Outlines Goals

Moscow KOMMERSANT DAILY in Russian 20 Jul 95 p 9

[Article by A. Kondratyev and I. Pichugin: "Fifteen Companies Decide To Struggle for Democracy"]

[FBIS Translated Text] **Some 15 computer firms operating on the Russian market have unified into an**

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organization whose name, Roskomsoyuz, is nostalgically reminiscent of the epoch of Tsentrosoyuz [Central Union of Consumer Societies of the USSR] and Potrebkooperatsiya [Consumer Cooperatives of the USSR]. The full name of the new association, by the way, sounds quite modern: the Russian Computer Union. Its formation was announced at yesterday's press conference by heads of 13 Russian and two Western firms. Two of the initiatives of the union attract particular attention: conducting an annual All-Russia Computer Fair and creating a legislative initiative commission.

A temporary council which included the heads of four companies—Belyy Veter, R-Style, Lamport, and CSM (subsidiary of Mericel-CAT), was created at the Roskomsoyuz constituent assembly held before the press conference. According to Yuriy Dubovitskiy (Belyy Veter), the principal distinction of the new organization, making it different from dozens of other associations, guilds, and clubs, will be the fact that the highest organ of power of Roskomsoyuz is considered to be the general meeting of its members. That is viewed by the founders as a true manifestation of democracy and openness. In addition to that, the relatively small initiation fee, equivalent to $1,000, makes membership affordable to even the smaller firms. Executive functions are being assumed by the council. Its members will be periodically replaced, which, according to the organizers, will ensure broad representation on the council of participants in the Russian computer market. As of now more than 50 firms have expressed the desire to joint Roskomsoyuz, Dubovitskiy declared. To accomplish this they will need to have two recommendations from members of the union and get more than 50 percent of the votes.

Reasons for the creation of Roskomsoyuz, according to Dubovitskiy, are simple: at present in Russia there is no force capable of influencing the market situation and promoting a civilized development of the computer market. Some associations, the organizers believe, are pursuing "their own very narrow, elitist interests." At the same time the Association of Producers and Suppliers of Computers and Software (which includes about 10 large Moscow firms) was mentioned repeatedly, and its executive director Aleksandr Pekarskiy attended the press conference. It turned out that the goals of Roskomsoyuz and the association coincide "100 percent," but 15 of the founders had serious complaints against Pekarskiy and the association: too high an initiation fee (more than $20,000) and excessive elitism. As a result two other organizations have already appeared on the market—perhaps with a differing degree of democracy, but with similar goals which, in their own name, will be resolving the same issues in the same government offices. In the opinion of Pekarskiy this may harm both associations.

Roskomsoyuz, however, permits the participation of collective members in it which could engage in taking care of their own narrow interests. To set an example, Yuriy Dubovitskiy, in the name of the Notebook Supplier Guild to which his firm belonged, declared that it has relinquished its independence and entered into Roskomsoyuz as a section.

Surprisingly the goals as declared by Roskomsoyuz creators have a lot in common with thoughts expressed by Aleksandr Vengerovskiy, deputy chairman of the Duma in a KOMMERSANT DAILY interview, completely unrelated to the events being described. But will members of the new computer league be able to avoid the temptation to struggle for their own narrow interests? After all, it is not easy to imagine a union of Russian computer firms that occupy completely different positions on the market—producers of personal computers, distributors of imported equipment, system integrators, and so on. Their interests are quite different: the "red leftovers" are interested in state protectionism for domestic products, while sellers of imported personal computers dream of its total elimination. So far there is only one "red leftover," R-Style, among the 15 members of Roskomsoyuz. If their number increases, however, (much was said at the press conference about openness and democracy) then grounds for conflict may develop within the union. After all, the goals of Roskomsoyuz include the preparation and lobbying of legislation.

Russian computer firms with various profiles realized the need to unify their interests, even if only at the minimal level, and consequently, the need for amalgamation, only in the spring and summer of this year, in connection with their common discontent with the Comtek exhibition. It is not without reason that 9 of the 15 organizers of Roskomsoyuz are the "signatories" of a well-known letter from Russian firms to the management of Comtek International demanding that leasing charges be lowered and discrimination be stopped against Russian participants of the exhibition as compared with western firms. It is not surprising that the organization of an All-Russia computer exhibition constituted another undertaking by the union. As announced by Vyacheslav Rudnikov (R-Style), a tender has already been submitted by exhibition firms operating on the Russian market for the conduct of that undertaking. The exhibition is tentatively scheduled to take place in autumn 95 or spring 96 (which envisages competition with one of the computer exhibitions conducted by Comtek), and the cost of participation, according to Rudnikov, will be considerably less than that for the Comtek exhibition, which will ensure the involvement of small Russian firms.

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By the way, despite the definite existence of common interests among the participants on the computer market, they remain competitors. Creation of Roskomsoyuz makes it possible to hope that competitive struggle will at times take place within a civilized framework and occasionally even around a negotiating table

***Directorate Head Kalinin on Duma Land Code Work**

954E1240B Moscow KRESTYANSKAYA ROSSIYA in Russian 24-30 Jul 95 No 28, p 2

[Article by Nikolay Kalinin, Russian Land Committee administrative director: "The Land Code: Beginning of the End?"

[FBIS Translated Text] The State Duma has finally passed the first draft of a Russian Federation Land Code. Unfortunately that does not mean that the code now has the green light, or that Russia's farmers will have this long-awaited legal act by fall. Most likely this is just the beginning of the end for another draft Land Code.

In comparison with previous versions considered by the Duma, this draft has shifted much farther to the left. For instance, it no longer refers to private land ownership in cities, on private farms or within newly-reorganized agricultural enterprises. Under this draft, private farmers who have already been granted the right to own land would keep their rights, except for the right to alienate or mortgage a parcel of land. Agricultural enterprises previously reorganized into joint-stock companies, limited companies and so on, thereby establishing common land ownership, would be required to revise and resubmit their charter documents so that parcels of land owned by physical persons would be included in the authorized funds (capital) of those enterprises. That is, the agricultural enterprises — legal entities — would become the owners of those land shares.

This "leftist" orientation is most definitely not to the liking of the Russia's Choice faction or part of the Yabloko faction. Therefore the first two votes on the draft were unsuccessful. Only after the deputies decided to establish a commission (with equal representation for all factions) to prepare the draft Land Code for a second reading was it possible to get the required 230 votes.

What next? The draft will be distributed to the components of the Russian Federation for their comments, a process that will take at least two months. Naturally the commission will not reach a unanimous conclusion, therefore many articles (according to my calculations, at least 60 percent of them) will be presented with alternative versions. Essentially the Duma will be considering two drafts of the Land Code at the same time. And this will not happen until at least early November.

Thus it does not appear likely that the Land Code will be approved on a second or third reading. And the elections are in December, after which everything goes back to square one...

***Duma Ecology Committee's Lemeshev on Development-Environment Balance**

954E1217A Moscow RABOCHAYA TRIBUNA in Russian 29 Jul 95 p 3

[Interview with Mikhail Yakovlevich Lemeshev, chairman of RF State Duma Committee on Ecology, by Nataliya Korkonosenko, personal correspondent; date and place not given: "Dead-End Model"]

[FBIS Translated Text] **Today's world community is squandering its natural resources and is approaching the final frontier. Beyond it lies the stage of irreversible degradation and death. This was the conclusion of the World Forum on the Environment and Development.**

Our interview today is with prominent academic and public spokesman Mikhail Yakovlevich Lemeshev.

[Korkonosenko] Mikhail Yakovlevich, in addition to your other titles, you are a UN expert on environmental protection. What can you tell us about man's relationship to nature on the planetary scale?

[Lemeshev] The harmony between nature and man, the self-assured being who calls himself "homo sapiens," has suffered serious damage almost everywhere in the world. There may be some people living on coral islands who eat fruit, drink water, and breathe air of absolute purity and have a corresponding lifespan of 100-130 years. In general, however, "our planet is poorly equipped for happiness." Furthermore, the so-called developed countries, in spite of their external signs of prosperity, spent all of the advances nature gave them long ago and are now supporting themselves by savagely robbing the resources of other states. The ozone layer at the top of our planet's atmosphere has suffered severe deterioration in recent years. The area of the hole in the ozone layer has grown each year. Today it is twice the size of the territory of the United States of America. The health of penguins in Antarctica has been seriously undermined by the epidemic accumulation of pesticides in their livers.

All of these phenomena and many others attesting to the destruction of the ecological balance in nature, which reigned on the earth for thousands of years, are ruining the health of society. This is evident from the increasing poverty of billions of people and the deaths of millions of people from starvation. The number of genetic abnormalities, allergies, and mental

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disorders increases each year. Such dangerous vices as drug addiction, alcoholism, prostitution, and crime have reached outrageous proportions, even among children.

The ecological crisis is the natural result of the political, economic, social, and technological chaos in today's world community.

The gap between the rich and poor (representing the overwhelming majority) countries is growing wider. Furthermore, the rich countries are clearly acting on the principles of national egotism. Their wealth is based largely on the physical exploitation and robbery of the natural resources of other countries. This is particularly true of energy resources. The following figures offer sufficient proof of this.

Just five countries accounted for more than half of all world imports of oil in 1991: the United States, Japan, Germany, Italy, and France. All of the oil resources on the planet are used to secure the high standards of consumption in these countries, but if all of the countries in the world were to aspire to equally high standards of living and levels of consumption, which is the hypocritical and false message of Western (and, in recent years, Russian) propaganda, the world's known oil reserves would satisfy these needs for only seven years.

[Korkonosenko] Are you saying that the "civilized" West is not that civilized?

[Lemeshev] The critical situation created by the rapacious squandering of natural resources and the related global environmental pollution suggests that the consumer-market model of the technological civilization in the West is a dead end. It must not be extended to other parts of the world. In fact, even the developed Western states must change their patterns of development as quickly as possible. The owners of international industrial corporations and banks, however, refuse to even consider this.

They are also ignoring the decisions of international ecological forums. The most representative world forum on the environment and development was held in Rio de Janeiro (Brazil) in June 1992. It was attended by the heads of state and government of all countries. The participants agreed that today's world community is on the verge of irreversible degradation and extinction.

What was the result?

The well-written "Agenda for the 21st Century," which was adopted in Brazil, suffered essentially the same fate as the impressive and distinguished declarations of the 1972 Stockholm congress. These remained nothing more than declarations: During the interval between the two forums, the consumption of primary biological resources increased by 40 percent on land and by 12 percent in the seas and oceans.

It would be wrong, therefore, to exaggerate the potential impact of international forums of "green" scientists on negative ecological processes.

[Korkonosenko] For many decades the Russians believed that they were living in the biggest and richest country in the world. Whatever else might happen, there would always be enough clean water and clean air in their lifetime, but today people are suffocating in the big cities, are trying to get as far away as possible from the dead Aral Sea, and are engaged in a futile search for cures for all of the different allergies that are plaguing their children. What happened to Russia, and what is the ecological diagnosis for Russia today?

[Lemeshev] We are living in a tragic time. This is true of the whole world community, but it is particularly tragic for Russia. Its economy has been ruined and its people are suffering from poverty, disease, crime, and insecurity. Our natural surroundings have been stricken by the most severe ecological crisis.

This crisis is multifaceted. There are signs of it in the economic sphere: annual economic losses from environmental pollution equivalent to 30-50 percent of national income. There are signs of it in the environmental sphere: the destruction of the gene pool, the reduction of soil fertility, the pollution of our water and air at levels far in excess of the permissible limit. There are signs of it in the social sphere: the shorter average lifespan and the higher rate of infant mortality and overall rate of morbidity.

These catastrophic processes are present to varying degrees in all parts of Russia, but their intensification is particularly dangerous in the cradle of the Russian state—in the central regions and in the oblasts and republics of the greater Volga zone.

It is particularly disturbing that the amount of environmental pollution is increasing in spite of the reduction of industrial output. In Moscow, for example, the air was polluted by 277,000 tonnes of emissions from stationary sources in 1990, but the figure in 1993 was 307,000 tonnes.

In general, air pollution in Moscow is 10 times the maximum permissible concentration; air pollution levels exceeding 10 times the maximum concentration have been recorded more than once, and regularly in some cases, in 84 cities and industrial centers in Russia. The most highly polluted cities include Berezniki, Bratsk, Yekaterinburg, Krasnoyarsk, Lipetsk, Magnitogorsk, Novod-

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vinsk, Norilsk, Omsk, Perm, Saratov, Ufa, Cherepovets, Chita, and others.

Sewage dumped in surface bodies of water in 1993 amounted to 71.3 cubic kilometers, including 28 cubic kilometers of polluted sewage.

[Korkonosenko] What development model do you see as an alternative to the reckless misuse of the country's natural and human potential?

[Lemeshev] The steady development of the social-ecological-economic system will be impossible without an acknowledgement of the priority of the ecological factor, which will require the society to balance its needs with the capabilities of the biosphere and to choose the particular development patterns and models which will secure the optimal functioning of this system at any time in the present and in the distant future and thereby secure the preservation of the necessary conditions of life for future generations.

The attainment of this goal will require solutions to the following major problems. First of all, it will require the development of a new societal model representing the optimal combination of the social, political, ecological, and economic interests of the society in the present and in the distant future. Second, it will require a national ecological program meeting the strategic and current objectives of the Russian Federation, based on a set of projected goals with clearly ordered priorities, reflecting the cause-and-effect relationships in the "man-economy-nature" system, and compatible with the national ecological programs of other countries. The cultivation of ecological awareness and high ecological standards in our society and the development of basic ecological research, securing the scientific foundation for the continuous adjustment of societal development for the purpose of its comprehensive ecologization, will be equally important.

[Korkonosenko] Do you believe that we will reach this era of ecological prudence? What do you think should lie at the basis of the ecological awareness of the Russians?

[Lemeshev] Spirituality, morality, and the Orthodox religion. As far as the latter is concerned, this requirement will decide the future of Russia. Fedor Mikhaylovich Dostoyevskiy once issued this explicit warning: "The plan to build atheistic socialism will bring the people something so foul, so irrational, and so inhuman that the whole edifice will collapse under the condemnations of mankind before it is completed."

It is deeply distressing to read the Russian genius' prediction, which was confirmed so precisely and so tragically in our long-suffering nation more than half a century later. Fedor Mikhaylovich went on to address us, the Russians of the late 20th century, engaged in an agonizing search for an escape from the severe crisis that has stricken our fatherland: "The non-believer will not be able to accomplish anything here in Russia, even if he has a courageous spirit and a brilliant mind. Remember this."

I firmly believe that Orthodoxy is the first and main condition for Russia's rebirth in general.

The second absolutely essential condition for overcoming the present crisis and revitalizing Russia as a great power with a flourishing economy, science, and culture is the renunciation of the criminal policy of dismembering the Russian state under the guise of the notorious sovereignization of the former union and autonomous republics and regions. The disintegration of the Union of Soviet Socialist Republics was the most grievous and heinous act of the "democrats." Many gullible people are still inclined to view the anti-state actions of the "overseers of perestroyka" as an unfortunate mistake. In reality, however, this was not a mistake; it was a carefully planned way of achieving the goal of Russia's destruction—a goal set by the international industrial-financial elite of the Western countries and the special services of the United States, Israel, and some other states.

The third condition for the rebirth of Russia is self-reliance: reliance on our own strength, resources, creativity, and mental energy, and not on that infamous Western "aid." Russia has colossal labor and production potential. All we need is an effective economic mechanism for its realization.

[Korkonosenko] What is the basis of your faith in the revitalization of Russia, its ecology, and its main resource—its people?

[Lemeshev] I will answer this question in the words of V. Klyuchevskiy: "One of the distinctive features of a great nation is its ability to get back up on its feet after a fall, no matter how humiliating the descent may have been. It learns a lesson from this, gathers the remnants of its moral strength, and embodies them in one great man or several great men who will lead it back onto the right historical road."

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***Duma Passage of Law on Financial-Industrial Groups Noted**

954E1238D Moscow KOMMERSANT DAILY in Russian 21 Jul 95 p 2

[Article by B. Boyko: "'Consortium' Ideas To Receive Legislative Basis"]

[FBIS Translated Text] **Despite the fact that there are usually no plenary sessions scheduled in the Duma on Thursdays, at the end of the session the lower chamber decided to set a work record. Yesterday, just as the day before, proved to be exceptionally productive; draft laws were adopted one after the other. Among the almost 30 documents that were passed, the highly noteworthy draft law on financial-industria[1] groups was adopted in the first reading, constituting one of the few successful legislative initiatives of the Federation Council. Such success is possibly explained by the fact that Nikolay Gonchar, chairman of the Budget and Finance Committee, has been working for almost six months on that draft law, which he initiated.**

The Way It Was

The authorities began encouraging merger of industrial and financial capital as long ago as two years. The idea of creating FPGs [financial-industrial groups] as a panacea for national industry reached the peak of its popularity at the end of 1993 into the beginning of 1994, even though in reality FPGs already existed—for example Gazprom, Lukoyl, the group Most and Alfa. Some 26 FPGs have now been created or are in the stage of creation, another 114 registration applications have just been submitted. In addition to that the formation of FPGs with the participation of enterprises of Russia and CIS countries (transnational corporations) was also important. Somewhat earlier Nikolay Gonchar had declared that one of the principal goals of the draft law is promotion of integration processes in the industry of CIS countries.

At the present time the activity of financial-industrial groups is governed by the presidential edict of 5 December 1993 (it provides a number of benefits for the FPG), by a package of documents worked out by the State Committee on Industry, which establishes a multiple-step order of creating official groups and the order of their registration in the register, as well as by a government decree on the program of cooperation with formation of financial-industrial groups. All of these enforceable enactments, however, allow the satisfaction of only a limited circle of interests and possibilities incorporated in the very nature of the FPG. The main limitations in the formation of FPGs have always been the prohibition against participation of holding companies in the FPGs, the structure of whose capital material assets amount to not less than 50 percent, and prohibition against cross-ownership of shares by participants of the group. It is notable that the government itself on more than one occasion indicated that the (voluntary) process of formation of the FPG is proceeding poorly. At the same time there are no particular difficulties with the formation of one half of the group—the industrial half. There is no shortage of contending enterprises inasmuch as for many this offers a real chance of obtaining various benefits. It is more difficult with financial structures which are not showing any particular interest in the financing of long-term investment projects. All discussions of this problem invariably boiled down to one thing: the banks will gravitate toward the FPGs on their own only with a drop in inflation.

The Way It Will Now Be

The draft law adopted yesterday in the first reading, according to its elaborators, is called upon to eliminate all of these obstacles (except for inflation) and, creating the legal bases for functioning of the FPGs, ensure state regulation of large associations and "protect the property of the Russian Federation against possibilities of abuse." Government support of the FPG is outlined in the draft very broadly (by comparison with the edict, the draft law expands benefits for the FPGs). For instance, FPGs may be granted benefits such as elimination of customs duties, and operations among enterprises-participants may be equated to operations among structural subdivisions of the same enterprise. In addition, additional stimulation is also envisaged—the transfer of a block of enterprise shares temporarily assigned to the government for commercial management or in trust. Along with the inclusion of the indebtedness of enterprises whose shares are being sold through competitive bidding, as part of the investments as stipulated by the conditions of competitive bidding by the purchasing FPG, the provision of government guarantees for the attraction of investment resources, including the use of the mortgage mechanism, is also envisaged.

In the case of FPGs formed in the priority branches of the economy and the social sphere, state programs for stimulation of FPGs activity may provide for additional benefits on the basis of government decisions but adopted by the Federation Council (as usual, the elaborators of the law are attempting to preserve a maximum of power for their organ). It is proposed that the FPGs be regarded as a consolidated group of tax payers with relation to individual types of taxes.

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The only restriction envisaged by the law is the statute indicating that FPG capital many not include the ownership of land, water, forests, and other rights to use natural resources, as well as reserves of raw material resources. In the opinion of the elaborators, all this "should protect national interests against various abusers."

The government received that draft law in a somewhat guarded fashion, submitting a number of important observations to the Duma. First of all, it was indicated that a number of the points are incompatible with the Civil Code—there is a particular need to correct the articles which envisage the possibility of creating a central FPG company in any organizational-legal form, as well as those concerning the participation of the government in them. Second, the government noted the absence of mechanisms stimulating the consolidation of capital within the framework of the FPGs and "the functioning of groups as managed economic systems." In addition, the government considers that with the removal of all antimonopoly restrictions on the formation of FPGs, no mechanisms have been established for rational use of measures of state support and ensuring antimonopoly control over the activity of the groups.

Inasmuch as it is evident that the remarks which were expressed will call for a considerable amount of additional work on the draft law by the time of the second reading, it is possible to say with some certainty that the executive power which has for two years independently concerned itself with the FPG problem, will devote considerable attention to this law. The State Duma Industrial Committee, in particular, in its recommendations during hearings on the problem of FPGs, likewise pointed out that the concept of the draft law may be accepted only after substantial additional work on its text. In the rush before the recess, however, the State Duma passed the draft law in its first reading, without delving into its essence. Therefore the main struggle will occur in the autumn during preparation of the draft for the second reading.

*Changes to, Passage of Law on Privatization Discussed

954E1238E Moscow KOMMERSANT DAILY in Russian 21 Jul 95 p 2

[Unattributed article: "State Capital Granted a Concession But Only a Minor One"]

[FBIS Translated Text] **Yesterday's session of the State Duma was so productive that even issues connected with property and privatization, which usually get mired down in prolonged discussion, were taken care of in a matter of minutes. The draft law on introduction of changes and additions to the law of the Russian federation on privatization of government and municipal enterprises in the Russian Federation was adopted right away in the second and third readings. The draft law on property held in trust was also adopted in the first reading without discussion and almost totally in its former version (KOMMERSANT DAILY has already commented on it).**

As long ago as the autumn of last year the Altay Kray Legislative Assembly, in full accordance with the Constitution, introduced a variant of the draft law in parliament along with additions to the law on privatization. The appropriate Duma committee recognized that legislative initiative as having been inadequately prepared. The working group, which included a representative of the Altay Kray and deputies of the State Duma Sergey Ivanenko, Sergey Markidonov, Vladimir Golovlev, and Mark Goryachev after processing the 760 corrections that were received, recommended that around 360 of them be adopted. The draft law, which was extensively revised after the initial reading, did not lead to any tumultuous discussions at the plenary session yesterday and was adopted in its entirety. If the Federation Council does not show interest in the law in the next two weeks, it will go directly to the president for signature. According to preliminary information, the government is displeased (it is true, not too much) with the document in its present form, and doubts that the president will react to it positively are not groundless.

The dissatisfaction of the government is quite natural since in a number of its norms it inhibits freedom of action by executive power (as any law does, in principle) forcing it to act not on the basis of its enforceable enactments but through channels of the legislative base created by parliament. In the given case, first of all, the article in the law on privatization of state and municipal enterprises in the Russian Federation obligating the government to submit the state privatization program to Parliament for adoption has been reinstated. Duma experts interpret this in a somewhat unexpected manner: it turns out that it is possible to adopt a program by presidential edict only in cases when Parliament proves to be completely incapable of compromising with the government and rejects it at the stage of discussion in the State Duma. The authorities are also charged with the duty of submitting a report to Parliament before the adoption of the budget on results produced by realization of the program, after the analysis of which the State Duma can make changes in the existing program.

There were some serious changes pertaining to the structure of the state program; the rights of subjects

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of the Federation were substantively expanded in the conduct of privatization. For them the program will determine only the order of privatization, and in the case of municipal property, only the general principles involved. It is specifically with regard to this question that most of the subjects of the Federation manifested a remarkable degree of solidarity in submitting their corrections to parliament.

There is no doubt that the new system of distribution of revenues from privatization will cause government displeasure. First of all the spending of funds obtained from privatization of state and municipal enterprises will be determined specifically by representative organs of state power. The state privatization program itself will establish the norms for distribution of funds which are obtained from the sale of federal property and go into budgets at all three levels for specific purposes (for instance, deductions into specific purpose budget funds for resolution of priority economic and social tasks).

With regard to state and municipal property, only deductions into the federal budget will be regulated. At the same time the State Committee on the Administration of State Property is being transferred from cost-accounting financing (interest from state property sold) to financing out of the budget. Territorial agencies will be financed at the expense of funds obtained from privatization at corresponding levels of property ownership and out of local budgets.

The principles involved in determining of the initial sales price of property at auctions also underwent a correction: property funds have the right to raise the initial price established in accordance with methodological instructions for evaluation of property subject to privatization which are adopted by Goskomimushchestvo [State Committee on the Administration of State Property]. In addition, they may determine the amount of the deposit required for participation in the auction, regardless of the initial price of the property.

Content of the State Privatization Program Established by the Law

—List of types of operations, facilities (groups of facilities) owned by the state, proceeding from the possibility of their privatization, and substantiation of their selection.

—Requirements with regard to programs for privatization of subjects of the Federation and municipal formations to protect the rights of physical and legal bodies when participating in privatization.

—Determination of the methods of privatization and forms of payment, benefits for members of worker collectives of enterprises being privatized, the order in which privatization tenders are to be submitted and examined, and the order in which enterprise property is appraised.

—Conditions pertaining to issuance of credit and the size of credit resources which it is proposed to use in the course of privatization.

—Conditions governing the use of foreign investments, including types of operations, in accordance with which assignment of share blocks for state ownership is planned.

—Norms for distribution of funds from federally owned property into the federal budget, budgets of subjects of the Federation, municipal formations, and for other uses, as well as deductions into the federal budget from various properties owned by subjects of the Federation and by municipal formations.

—The order of carrying out mutual accounting of property funds of the various levels among themselves and with corresponding budgets involving all means of payment.

—List, deadlines, and order of formation of specific-purpose federal budget funds obtained at the expense of funds received from privatization, for the resolution of economic and social tasks recognized as priority ones, including the creation of new jobs, cooperation with structural reorganization, restoration of the natural environment, as well as for other purposes.

The scheme used for the mortgaging of state property is most interesting. In order to satisfy obligations (including those required for mortgaging) it is possible to use only unsold shares remaining in the property funds, or that part of the statutory capital which for various reasons has not been sold in accordance with the privatization plan.

Changes in the law on privatization will also affect the rights of potential investors. For the conduct of investment competitions, which was never used on a broad scale, the investment program must contain a list of documents that confirm ownership of property as well as property and personal non-property rights of the investor necessary for its conduct. Such an order was apparently introduced for the purpose of compelling participants of the competition to regard their possibilities in a weighed manner and in order to simplify control over fulfillment of the investment program by state organs.

The authors of the law made a small concession to enterprises whose capital includes a large block of government shares. Formerly buyers of state property could be enterprises with a government block of less

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than 25 percent, whereas the new version formulates that restriction more liberally as "not over 25.5 percent." Despite the apparent insignificance of the change, in the opinion of one of the elaborators, Sergey Ivanenko, it will affect about 400 enterprises.

***Colors, Designs of New Ruble Notes Described**

954E1238B Moscow KOMMERSANT DAILY in Russian 25 Jul 95 p 5

[Article by Ya. Skvortsov: "New Rubles Will Be Protected Against Xeroxing"]

[FBIS Translated Text]**Tomorrow the Central Bank will place into circulation new bank notes with a face value of 50,000 and 10,000 rubles [R] that will continue the 1995 series of bank notes, which began with a R100,000 bank note. According to experts the new bank notes are close to German marks with regard to the degree of security.**

KOMMERSANT DAILY was informed by the Central Bank Press Service that in accordance with a decision of the Central Bank Board of Directors, R5,000 and R1,000 ruble bank notes will also be issued during September-October. According to experts of the Department of Issuance and Currency Operations of the bank, new color copying equipment is now being introduced almost without any restrictions. Bank notes of the 1993-1994 series (primarily those with denominations of R10,000 and R50,000) were being duplicated by counterfeiters in vast numbers. That circumstance was one of the main reasons prompting the Central Bank to design new bank notes. Reconstructed Goznak [State Bank Note Factory] facilities in Moscow and Perm began their production.

During 1993-1994 Goznak issued bank notes exclusively with mechanically readable features whereas the authenticity of the new bank notes may be determined "manually" without the use of a magnifying glass or ultraviolet light. The 50,000 bank note, for instance, printed on paper with a blue shading, contains violet and red fibers 5 to 7 millimeters in length. That bank note has two watermarks: the Petropavlovsk Cathedral in St. Petersburg on the wide coupon and the figure 50,000 on the narrow one. The R10,000 bank note has a greenish-brown background. The watermarks consist of an image of the chapel in the city of Krasnoyarsk (on the wide coupon) and the figure 10,000 (on the narrow coupon). In addition to that a vertical protective thread 1 millimeter in width was introduced in the new bank notes, which is visible against the light. Embossed printing as well as a three-dimensional effect are designed to guard the bank notes against counterfeiting with copying equipment: on the right side of the stylized band there is a concealed depiction of the letters RR (Russian ruble) which changes colors from dark to light, depending on the position of the bank note. It should be mentioned that for the first time bank notes of the Bank of Russia will be provided with Braille symbols for the blind.

All of these innovations will be used in other bank notes of the 1995 series which are called upon to smoothly replace the old Bank of Russia bank notes in circulation. It is remarkable that the new bank notes have eliminated the monopoly of Moscow on the "scenic views." KOMMERSANT DAILY was told by Central Bank experts that formerly it was believed that money was "the face of the government." As a result an impression was created that beside Moscow there was nothing else to show in Russia. In order not to offend other cities and areas, it was decided to eliminate the "traditional Kremlin." According to information from unofficial sources, a number of regions in Russia, including the Republic of Tatarstan, have already declared their wish to be depicted on the new bank notes.

***Swift Passage of Law Against Money Laundering Sought**

954E1246B Moscow ROSSIYSKAYA GAZETA in Russian 10 Aug 95 p 3

[Article by A. Petrenko: "Extensive Laundering of 'Dirty' Money"]

[FBIS Translated Text] **The right to lawlessness. Criminal business is taking over the markets. MVD [Ministry of Internal Affairs] proposes its own way of fighting the shadow economy.**

The amount of income obtained by criminal groups comes to 2.5-3 trillion rubles [R] a year. That is an estimate by the MVD of Russia. Most of this money is placed in commercial turnover where it is "laundered" by more than 3,000 criminal groups which specialize in that profitable business. Legitimate economic structures have formed almost 1,500 such groups for this purpose.

In addition, criminal organizations, using physical and psychological coercion and blackmail, established control over 40,000 businesses, including more than 400 banks, nearly 50 stock exchanges, and almost 1,500 enterprises in the government sector of the economy.

According to information available to the MVD of Russia two-thirds of the funds obtained through criminal activity that are being legalized are invested in the development of criminal enterprises, while a fifth is spent on acquisition of real property. Over 40 percent of the commodity turnover on the consumer market is accounted for by unregistered businesses.

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All that led to a situation where the share of the shadow economy in 1993 doubled reaching 40 percent. It remains at that level to this day.

Is it possible to interdict this flow of "dirty" money, decreasing the disastrous consequences which it exerts on the country's economy? Alas, the existing normative-legal base is incapable of serving as an effective barrier both against the acquisition of illegal revenues either by an individual or a group of people or against their legalization and involvement in commerce. Article 208 of the Criminal Code of the RSFSR, in particular, provides for liability only for acquisition or sale of property wittingly obtained by criminal means, which does not suit the sharply changed criminological characteristics of modern methods used in legalizing revenues.

At the same time the legislation of many countries includes norms designed to counteract the acquisition of illegal revenues and their legalization. In the United States, Canada, Japan, France, Germany, Britain, and other countries, financial establishments must determine the identity of the owners of the money and supply authorities with information available to them on the illegal origin of deposits. Provisions are also made for sanctions for crimes connected with "laundering" of money. The United States, for example, has the harshest punishment for such activities of up to 20 years imprisonment. In Britain the maximum is 14 years, in France it is 10 years, and in Belgium and Switzerland it is 5 years.

Punishment in the form of a fine is also imposed in addition to imprisonment or in lieu of it. In some countries it is quite large: in the United States it is up to $500,000 or in an amount double the value of the property used in the transaction; in Italy it is from 2 to 30 million lire; and in France it is from 50 to 500,000 francs.

We hope that in the near future we will also acquire the possibility of preventing criminal transactions aimed at acquisition of super-profits on the basis of the law, while punishing those who fall between the cracks of legislative prohibitions and other measures by imprisonment and confiscation of criminally acquired capital.

A working group, which included representatives of 10 Russian ministries and agencies, such as the MVD, FSB [Federal Security Service], General Procurator's Office, Ministry of Justice, Ministry of Finance, the Central Bank and others, within a rather short period of time (less than a year) completed preparation of a draft of the federal law on liability for legalization of criminal revenues and submitted it to the Legal Directorate of the Administration of the President of the Russian Federation and to the Russian Government. The draft takes into account world experience in the struggle against "dirty" money. In particular, it incorporates many points of the European Council Convention on laundering, detection, seizure, and confiscation of revenues from criminal activity and also the typical UN law on struggle against "laundering" of money derived from the sale of narcotics. There is hope that in the near future the draft will arrive at the State Duma and the deputies, realizing its importance to the revival of the country's economy, will make it a law without delay thereby creating a legal basis in the struggle against acquisition of "dirty" money and its introduction in the financial turnover.

The draft law first of all determines the types of activity which may serve to trigger liability for legalization of illegal revenues or for violation of rules established for the purpose of preventing that crime. That also constitutes, in legal terms, the establishment of a rightful status for criminal revenues, the concealment or distortion of sources and nature of origin, the whereabouts, and other information on funds wittingly obtained by criminal means, as well as violation of the rules of bookkeeping and maintenance of accounting documentation, entry of false information in it, and the making and acceptance of payments in cash in amounts exceeding the level established by law.

A number of norms are envisaged to prevent such crimes, aimed at regulating the activity of both legal and physical bodies. In part, it is proposed that additional requirements be created for establishments engaged in financial activity with regard to the identification of their clients, registration of operations, and limitation in the size of cash transactions (for legal bodies—5,000 times the minimum wage, and for physical bodies—200 times the minimum wage). In addition, the draft law includes the obligation for banking, financial, postal, and other establishments conducting operations with money and property of enterprises and organizations as well as citizens to report to an authorized government organ any suspicions of illegality of their origin, and also cases involving operations with sums in excess of those established by law.

By the way, the draft law stipulates that those who voluntarily turn over to the government funds, property, or property rights obtained through criminal or other illegal activity, are exempt from criminal liability for actions aimed at their legalization.

So what if the law is violated anyway? In that case the mechanism consisting of civil law measures of countering such violations comes into play. In particular, transactions in which capital and property acquired by criminal means or property rights obtained in violation of existing legislation are involved may be considered

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to be invalid. Those guilty of legalizing criminal revenues will receive punishment in the form of 3 to 5 or from 5 to 10 years of imprisonment with confiscation of property or without (depending on the gravity of crime that is committed).

The draft law also contains an article establishing liability for the dissemination of information involving banking or trade secrets as well as other confidential information. After all, it is quite understandable that officials or other personnel of monitoring or law enforcement organs, which acquire such information, have to guard it like the apple of their eye. If they fail to do so, and if the law is adopted, they will be facing severe punishment: imprisonment for various periods of time or fines from 100 to 500 times the minimum wage with loss of the right to occupy some positions or engage in certain types of activity for three years.

Unfortunately a newspaper page is not big enough to list all the points of the draft law and particularly to express any recommendations concerning them or to dwell in any detail on some of the important implications, but even the concept of the law, presented here, provides a more or less comprehensive picture of it.

The adoption of this draft will make it possible to resolve a number of important economic and legal problems. It will, first of all, establish a serious obstacle in the flow of "dirty" money into the country's economy while substantively undermining the economic foundations of crime, particularly organized crime, and closing the gap in the legal field thereby allowing more effective measures to be used against criminal structures which "invest" billions in criminally acquired funds in legitimate businesses.

***Presidential Economic Analyst Delyagin on Dollar 'Corridor'**

954E1251C Moscow KOMMERSANT-DAILY in Russian 28 Jul 95 p 2

[Article by Mikhail Delyagin, head of the Economic Problems Group of the Russian President's Analytical Administration: "After the First of October Will Come the Second. And After the Second — a New Year: the Response to the Question 'What Will Come After 1 October?'"]

[FBIS Translated Text] **No one doubts that the dollar's exchange rate in Russia is subject to the TsB [Central Bank] and the government. The question is how to use this power. Mikhail Delyagin, head of the Economic Problems Group of the Russian President's Analytical Administration responds to this question, guided by the different versions of the 1996 federal budget.**

A Low Ceiling: One More Headache Remedy

Friendly criticism of the decision of the government and the Central Bank to transform the dollar's exchange rate into "a snake in the tunnel" has been evoked to a significant degree by the logic of a number of commercial banks: "Carthage must be destroyed," ergo —everything Paramonova is doing is bad. The basic flaw in this logic is the failure to understand that transforming the banking community from "a strategic partner" of the Central Bank exclusively into an instrument of its influence and regulation is a consequence not of subjective personal processes, but rather, of objective institutional processes and caused by a fundamental factor — a definitive specification and consolidation of the Central Bank of Russia's positions in the state administration system. A change in leadership does not change either these positions or the interests defined by them of the Central Bank as an organization. Correspondingly, the Central Bank's attitude toward the country's banking community can, in this instance, undergo only minor changes.

The objective reason for the failure to make a decision about establishing a corridor for the dollar's exchange rate is the managing components' fear of a further rise in the ruble's actual exchange rate, which will stimulate the nation's ambition by emptying out its pockets.

In point of fact: according to the available estimates, in June, the critical level of the dollar's exchange rate, at which exporting, on the average, retains an acceptable profitability, was in the area of 4,300 rubles [R]. It is really a matter of "exporting on the average" —certain oil companies, given a significantly higher exchange rate, were forced to decline cheap foreign investment credits, since the tax burden, which is based on the dollar's actual fall 1994 exchange rate (at that time, it was higher than the June 1995 rate by a factor of 1.5), and, correpondingly, the higher efficiency of exporting, deprived them of even the potential possibility of paying them off (see the weekly KOMMERSANT, No 23). The exporters' situation is worsening in proportion to the reduction in the dollar's purchasing power and, just over 1995's second quarter, it fell by more than a fourth.

Even with an unlikely favorable inflation background — a July inflation rate of 5.0 percent and a subsequent monthly reduction in it by one percentage point — the dollar exchange rate critical for exporting will amount by 1 October to R4,936 to the dollar, i.e., it will almost bump into the established corridor's ceiling.

In this event, a significant portion of the exporters, whose profitability is below average, will be faced with the need to limit production which had just barely begun to recover — figuratively speaking, they will be banging

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their heads against this ceiling. It is clear that such a thing simply cannot happen to such an influential part of our society (exporting is the very thing which ensures Russia's normal existence), even more so on the eve of elections.

Everything Depends on the Budget Projections

The continuing reduction in the dollar's actual purchasing power up to September (by no less than 4 percent in addition to the 25 percent over the second quarter and the 4.5 percent over the first) will slow down the increase in exporting, right up to the possible start of a reduction in its monthly volume in September or October. Basically, however, it is stimulating the importing of goods which will deal a blow to domestic producers who are geared toward the domestic market. This integrated action will lead to a deterioration of the financial situation of the economy as a whole, as a result of which, the increase in industrial production in May and June (by 1.0 percent and 0.1 percent, respectively) will be replaced by a small (2-3 percent per month) decline in it.

We would emphasize that these processes (in combination with the traditional "fall offensive" of the monopolistic importers who jack up the prices in the large cities) will begin to have an impact on the public consciousness precisely by 1 October — the critically important date.

The Central Bank will be trying to keep the dollar's exchange rate within the bounds of the narrower "domestic" corridor which will gradually rise from the current R4,500-4,600 to R4,600-4,700 by the end of September. At the same time, the exchange rate will remain under the Central Bank's total control and, as has already been demonstrated, will increase not unvaryingly, but rather, with periodic drops which will disorient the currency dealers. Sharper fluctuations which use the entire range of the established corridor, in the absence of any extraordinary events, are almost unlikely, since they may provoke panic or, at the least, place the Central Bank's competence in doubt.

It should be emphasized that the Central Bank's ability to keep the dollar's exchange rate within the established corridor until 1 October is not in doubt. If we proceed exclusively on the basis of its available currency reserves, the dollar's exchange rate may be maintained within these bounds even up to the end of 1995. Officials are tastefully discussing completely with good reason the experience of Poland which also carried out stabilization humanely and set the zloty's exchange rate for 6 months (and it set it later for 18 whole months) and "did not perish" at all. Our recent history shows that the experience of the comparatively small and mobile economies is a constant temptation for the domestic reformers.

Strange as it may be, the further development of events is being determined almost entirely by the government's actions.

According to the Minister of Finance, "one of" the budget versions provides for the establishment of an average dollar exchange rate at R5,200 in 1996, which, by July — even given the realization of the impractical inflation predictions (2 percent per month on the average) — will lead to a drop in the dollar's purchasing power by no less than 11 percent. Such an "achievement" will reduce sharply the foreign trade balance which, for a country which has a menacing foreign debt and which is living through exporting, is an intolerable extravagance. Such a policy is fraught with such adverse consequences that it simply cannot be implemented — most likely, it will be changed while still in the drafting stage, when, in September or October of 1995, its impracticality will finally be exposed.

In this instance, owing to the natural psychological reaction and the overcoming of the resistance of the proponents of the R5,200 exchange rate, the transfer of the dollar's exchange rate into a higher and narrower corridor will occur as of 1 October or 1 November — during the tradition time of cataclysms in the currency market. It is clear that this will whip up inflation expectations and very seriously increase inflation's seasonal acceleration.

On the threshold of the elections, the sudden abandonment of the planned currency policy, accompanied by a sharp jump in prices and an additional drop in the standard of living, is quite capable of bringing victory in the elections to forces which are the most irresponsible and inclined toward social demagoguery, which will color all the last 4 years of Russian history in somber shades.

The obviousness of such a turn of events makes it possible to hope for a more sensible government policy. As has become known, there is a draft of the 1996 budget, which has plans for a quarterly increase in the dollar's exchange rate: in 1996's first quarter, it will be maintained at an average level of R5,600 and, over the year as a whole, at an average level of R6,000. According to the rough estimates, such a dollar exchange rate will lag behind inflation by only a little bit, which will stimulate exporting, limit importing and, on the whole, strengthen Russia's economy.

At the same time, it will mean a continuation of the processes for the removal of dollars from the economy and an increase in the state's currency reserves. The latter is especially important, since, in May and June

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of 1995, the dollar's exchange rate was lowered to the equilibrium level of the supply and demand, which led to a halt in the increase in the Central Bank's currency reserves and in the process of the removal of dollars from the economy as of the beginning of July of 1995.

The report about the dollar exchange rate dynamics planned for 1996, which are quite satisfactory to the exporters, will turn on in front of them a "light at the end of the tunnel," which will seriously reduce the pressure which they will be exerting on the government. And this in turn will give the government all the needed opportunities, not only economic, but also political, for maintaining the currency corridor established prior to 1 October until year's end with only minor changes.

At the same time, the most dangerous period from the inflation standpoint — October, when inflation expectations traditionally give a powerful inflationary impetus to the national economy — will pass without destabilization of the currency market, i.e., significantly more simply and more calmly than in past years.

It should be noted that an average annual exchange rate of R6,000 to the dollar is the more likely one, based not only on content considerations, but also on formal technological ones. It is known that a higher dollar exchange rate during the preparation of the budget projections, just like understating the predictable inflation, contributes to a greater correspondence of the projections to the actual budget process. The average monthly inflation for 1996, in complete conformity with the traditional paradigm, has been assumed to be at the 2-percent level, which is totally impractical. In 1992-1994, the annual rate of decrease amounted to twice that, while, in 1995, the average monthly inflation, even based on the most optimistic predictions, will decrease by no more than 40 percent — from 10.2 percent down to 6.6 percent per month; reducing it in the coming year to less than one-third of that is, taking into account the past dynamics, simply unlikely. It is logical to assume that the dollar's average exchange rate, being a more manageable parameter than inflation by an order of magnitude, will be set at a level which improves the potential fulfillment of the budget, i.e., it will equal not R5,200 to the dollar, but rather, R6,000.

Inflation in 1995 All Comes Down to the Same Thing

Thus, two existing budget projections reflect two possible versions of the government's currency policy. The first is an attempt to maintain the understated nature of the dollar's exchange rate even in 1996, which will worsen the exporters' situation so much that they will ensure the abandonment of this policy, thereby causing an explosion of inflation expectations and a prolonged wave of inflation. The second is the establishment as of 1996 of dollar exchange rate dynamics at a level which will correspond approximately to the increase in prices while retaining the currency corridor established in 1995's third quarter until the end of the year with a corresponding easing by the fall of 1995 of inflation expectations and inflation itself.

At the same time, the therapeutic impact of the currency market's stability should not be overestimated. Under the conditions which have arisen at the present time, the dollar's exchange rate is beginning to have an impact on the inflation processes only in those instances when it increases significantly faster than prices, which, in the current situation, is almost impossible (even in January through April, when the exchange rate was increasing rapidly, it lagged appreciably behind inflation). However, a stable dollar exchange rate restrains price increases only slightly, because other inflation factors come to the forefront — the monopolies' activities and inflation expectations.

In the fall of 1995, their impact is sufficient for the emergence of the seasonal inflationary wave, although a significantly weaker one than in past years. Most likely is a reduction in inflation in July and August to 4-5 percent with stabilization at this level in September, a small increase in October and the attainment in November of the maximum at a level of around 8 percent. In December, inflation will enter into a period of a new decline. The reduction in the dollar's actual exchange rate over 1995's second half will amount in this instance to around 25 percent — about the same as during the second quarter. The necessity of raising the dollar's exchange rate as of the beginning of 1996 will become, even under these most favorable conditions, a categorical imperative for Russia's economy.

***Enterprise Directors' Response to Economic Poll Analyzed**

954E1251A Moscow FINANSOVYYE IZVESTIYA in Russian 10 Aug 95 p ii

[Article by Aleksandr Batyayev, associate of the ROSSIYSKIY EKONOMICHESKIY BAROMETR bulletin: "Enterprise Directors Note Stable Improvement in Conditions for Obtaining Credits"]

[FBIS Translated Text] **Aleksandr Batyayev analyzes the results of the July survey of 170 Russian enterprises.**

Prices

In comparison with the previous month's level, 11 percent of the respondents noted a drop in prices for

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their own products, 39 percent reported no change and 50 percent -- an increase.

The prices for products being acquired rose at 88 percent of the enterprises, did not change at 10 percent and fell at 3 percent of them.

On the average for the surveyed enterprises, the overall level of prices — their own and those of others — rose in the past month by 12 percent — one of the lowest indicators over a half-year period. The rate of the price increases differs significantly by sector: prices rose most rapidly in the food and fuel industries — 16 percent and 14 percent, respectively, while the price increases in ferrous and nonferrous metallurgy amounted to just 3 percent.

The Correlation of Prices and Costs

A change in the price ratios, which was unfavorable for their own enterprises, was noted by 45 percent of the respondents, while 2 percent noted a favorable one. In the opinion of the remaining 53 percent, the correlation of their own prices and those of others did not change for all practical purposes. In the timber, woodworking and pulp-and-paper industries, 67 percent of the executives have noted a change in the price ratios, which is not to their benefit, while from 50 percent to 100 percent of the enterprises of ferrous and nonferrous metallurgy believe that the price ratios have not changed.

The average estimates are as follow: the prices for products being produced rose over the past month by 4 percent, while those for products being acquired did so by 14 percent.

Wages

On the average for all the surveyed enterprises, the rise in wages amounted to approximately 3 percent — the lowest indicator in over a year. In the course of the last 6 months, this indicator's rate of growth was at the level of 5-9 percent per month. Wages increased relatively faster at enterprises of ferrous and nonferrous metallurgy (by 15 percent) and of the food and fuel industries (by 12 percent), but they decreased at chemical and petrochemical enterprises (by 2 percent).

Production

An increase in production in comparison with the previous month was reported by 39 percent of the executives; 17 percent noted a continuation of previous production volumes and 44 percent noted a decrease.

The most profound drop in production is being observed, according to the survey data, among the power workers — 17 percent, and in light industry — 10 percent, while enterprises of ferrous and nonferrous metallurgy and of the food industry managed to increase production relative to the preceding month — by 8 percent and 2 percent, respectively.

Investments

An increase (in real terms) in equipment purchases in the past month was noted by only 5 percent of the respondents, 42 percent indicated no change and 5 percent noted a decline in this indicator. The remaining 48 percent of the enterprises have not purchased equipment over the course of 2 or more months in a row. In the preceding survey, the share of those which had not purchased equipment amounted to 63 percent.

Despite some improvement in the situation, only 14 percent of light industry's enterprises were able to purchase equipment in the past month. The most active ones were the fuel complex's enterprises, around 83 percent of which continued to acquire equipment.

Credit

A deterioration of conditions for obtaining bank credits was noted by 11 percent of the executives, 10 percent noted an improvement and the remaining 79 percent did not see any appreciable changes. In the assessments of the enterprises' executives, the situation in the credit market has improved over the course of 1995; the share of those for whom the conditions for obtaining credit did not change or else improved in comparison with the preceding month has increased from 69 percent in January to 89 percent in June of 1995, having reached the highest figure in more than 6 months. The enterprises of the building materials industry stand out sharply against the background of other sectors with respect to the conditions for the extension of credit: the conditions improved for 40 percent of them and worsened for almost none of them. Almost 100 percent of the enterprises of ferrous and nonferrous metallurgy and of the fuel industry are noting stability in the conditions for the extension of credit. In relation to other sectors, the situation with respect to obtaining bank credits is worsening in machine building: 13 percent of the executives have noted a deterioration in the conditions for obtaining bank credit.

Orders

The portfolio of orders at 59 percent of the enterprises remained unchanged, it expanded at 18 percent and, at 23 percent, it "grew thinner."

The portfolio of orders was at the lowest level at fuel industry enterprises (70 percent), while it was at the

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highest level in the timber, woodworking and pulp-and-paper industries and at chemical and petrochemical enterprises (90 percent).

The Financial Situation

Only 1 percent of the surveyed executives considered their own enterprise's financial position to be good. In the opinion of 28 percent, it was normal, while 71 percent called it bad. It was characterized as bad by 100 percent of the enterprises of the timber, woodworking and pulp-and-paper industries. The same opinion is held by 86 percent of the fuel industry enterprises and 79 percent of the machinebuilding enterprises. The executives of food industry enterprises assess the financial situation more optimistically: 45 percent consider it normal.

The Forecasts for September of 1995

The anticipated drop in production over 3 months is around 3 percent, while the increase in wholesale prices is 21 percent. Over the course of the next 3 months, 46 percent of the industrial enterprises do not plan to purchase equipment. Of the surveyed enterprises, 29 percent are expecting a further deterioration in their own financial situation, 55 percent believe that it will remain approximately the same and 16 percent are hoping that the financial situation will change for the better.

The consumer goods producers have the most pessimistic forecasts with respect to the financial situation: 38 percent of them are assuming a deterioration of the situation. On the whole, the July survey's results are more optimistic than those of the June survey. It may be said that, after a prolonged deterioration in the situation, trends toward favorable changes are being noted.

***Statistics Show Economic Data for 'Average' Russian, Society**

954E1242B Moscow ROSSIYSKAYA GAZETA in Russian 5 Aug 95 p 4

[Article by Dmitriy Pyro: "Is Life Becoming More Expensive, or Is the Pocketbook Becoming Cheaper?"]

[FBIS Translated Text] As always, the gross domestic product is the most important indicator of the health of the economy. In current prices of the first half a year it amounted to 620 trillion rubles, decreasing by 5 percent as compared with last year. No wonder, since, at the same time, production at medium-size and large industrial enterprises decreased—by 4 percent. Nevertheless, the majority of experts unanimously talk about the formation of a new economic situation, which lies in a significant slowdown in the production slump.

While most of us feel the effect of macroeconomic indicators of the slump approximately like an elephant feels a needle, their translation into everyday language gives an idea of how the homeland's economy is moving.

It turns out, however, that not the dollar alone makes a difference in the Russian economy. While the public was following its twists and turns, like the fouette of the prima donna, the gap in the average per-capita monetary income of one-tenth of the most and the least well-to-do population in June 1995, as compared with the same month of last year, increased—from 12- to 16-fold. This fact, as virtually all economists admit, cannot fail to cause alarm. Incidentally, at the same time, the population's nominal monetary income tripled in a year, while real income decreased by approximately 7 percent.

Nor did unemployment mark time. At the end of June 2 million people were officially registered in its ranks. In reality, however, there are three times as many of them—about 8 percent of the economically active population. For comparison: A year ago there were 4.6 million of them, or 6.1 percent.

If we assume that nothing unforeseen will occur in the development of the latest economy, in the third quarter significant changes in prices of basic goods and services, as compared with last year, are not foreseen. For example, in August the forecast inflation level should be confined to 4 percent and in September it can be below last year's value—5 percent as compared with 7.7. On the whole, however, in the next 2 months prices of goods and services will rise by 17 to 20 percent. Draw up the family budget on the basis of this.

For information: In the last half a year prices of meat products, bread, cheese, fruit and vegetable products, canned fruits and berries, nonalcoholic beverages, and dinners at public catering enterprises have risen most actively—1.9- to 2-fold. Prices of butter and eggs, the level of which has not risen for 3 months in succession, have stabilized. In June there was virtually no rise in prices of dairy products.

[Boxed item: Thus, during the first 6 months inflation rose 78 percent and release prices of producer enterprises, 2.1-fold respectively. This process occurred against the background of "decay of imperialism." During a quarter the price of the dollar fell by 7 percent and its purchasing power on the Russian market declined by almost one-third. Is this not a balm for the wounds?]

It is interesting that among nonfood consumer items the greatest rise in prices occurred with respect to goods, the prices of which to one extent or another have

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been regulated by local administrations: gasoline, 2.5-fold; drugs, detergents, and fuel, 2-fold. The lowest rise in prices occurred with respect to seasonal expensive goods: fur articles, 1.2-fold; fall and winter footwear, 1.3-fold; winter clothing, 1.4-fold.

The rise in prices and rates of paid services stably outstripped their change for food products and nonfood consumer items. As it had already become a tradition, January was the most "fruitful" in the matter of the rise in prices and June, the least "productive."

The following rise in charges most seriously hit pocketbooks: for gas supply (the charge for network gas increased almost ninefold) and for housing and municipal services (rent for apartments, hot water supply, the sewer system, and heating). Railroad transport fares did not lag in their rise (the cost of travel on a suburban train increased 2.7-fold and on long-distance trains, 2.3-fold). Probably, what saves the situation is only the fact that people have begun to move much less, because during the indicated period wages of most of us have not increased significantly, whereas prices of energy resources, which determine the price policy in the production sector to a large extent, have risen 2.1-fold since the beginning of the year.

During the first quarter of the half a year a tight credit and monetary policy became a significant factor in the curb on inflation. The money supply grew negligibly—only by 3 percent per month. However, as early as April this indicator accelerated sharply, comprising 15 percent. The reason: The artificially created shortage of cash rubles led to the dumping of currency accumulations both by the population and by banks and enterprises, which forced the Central Bank to increase state currency reserves, throwing the ruble supply on the market. At the same time, whereas throughout the first quarter cash amounting to 0.8 trillion rubles was withdrawn from circulation, during April-June monetary emission totaled 20.1 trillion rubles. This is another answer to the question why we observe only a slowdown in inflation, not its cessation.

[Boxed item: The preservation of the share of wages in the structure of the gross domestic product virtually at the previous low level (about 30 percent) is one of the important tendencies of this year. At the same time, in 6 months gross profit reached 55 percent. Therefore, when the share of wages decreases, the share of entrepreneurial income increases distinctly. In other words, they pay less money and make more "deals."]

Many remember the famous thesis of new revolutionaries of the Russian economy: The appearance of unemployment should stimulate social and technical progress, mobilize internal reserves, and raise the country to a qualitatively new level of development. As always, the thesis was realized in a reduced form—unemployment became a reality. What problems arose in connection with this?

First, the drop in employment in sectors determining the country's future development continued. This applies primarily to science, information-computer services, geology, mineral prospecting, and processing sectors of industry. The reduction in the number of workers, as before, was not connected with a significant dismissal of manpower at enterprises. The lack of funds at enterprises for severance pay to dismissed workers in the necessary amount became one of the weighty reasons for the preservation of the low level of the administrative cut in the number of workers under conditions of the production slump experienced in a number of sectors. Present-day "dead souls" propagate in this way—people are listed on the job, but do not work. Thus, 5.5 to 7 percent of the total number of the employed, in fact, are constantly unemployed and can be considered a reserve for the replenishment of real unemployment.

However, the standard of living of the average Russian should be considered the main indicator. Unfortunately, during the first half a year its basic indicators declined: Real income and consumption of basic food products decreased and ordinary proportions in the use of the consumer budget were disrupted. The greatest drop in real income, as compared with last year, was noted in April—13 percent. In June the Russians' average per-capita income totaled 540,000 rubles—about 115 U.S. dollars. Last year income was smaller—93 dollars. However, its increase is caused by none other than a reduction in the rate and, as a consequence, decline in the purchasing power. Incidentally, throughout Russia the population's purchasing power during the first half of 1995 declined for the first time in recent years. This is a signal!

*AKKOR's Bashmachnikov Calls for More Than Verbal Support

954E1240D Moscow KRESTYANSKAYA ROSSIYA in Russian 31 Jul 95 No 29, -06 Aug 95 p 1

[Article by Vladimir Bashmachnikov, AKKOR president: "Support Private Farmers With More Than Just Words"]

[FBIS Translated Text] In spite of unimaginable difficulties, the tribe of independent farmers in Russia has remained constant in size. This planting season there were 285,000 private farmers farming a total area of 12 million hectares. Things are much more difficult for them

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than for agricultural enterprises, yet still they planted crops on 75 percent of their arable land holdings.

However, there are regions where the spring field work did not go nearly as well as it might have. Of course, part of this can be ascribed to purely internal farm problems. Another thing that greatly affects the situation is the fact that a majority of areas still do not have normal relations between state agencies and independent farmers' associations. But there are also some positive examples, like a certain rayon in Samara Oblast. There the administration and the agricultural department are working together to solve the problems faced by independent farmers. I asked them why they bothered with private farmers. The answer was that private farmers alleviate many problems, because they do not demand wages and they work hard.

But unfortunately things are not like that everywhere. Many issues in connection with support for independent farmers have not been resolved either at the federal level — including the ministerial level — or at the regional level. The first issue is equipment leasing. Efforts to resolve this issue have proceeded with difficulty, but somehow it was possible to obtain advance payment out of Ministry of Finance funds. The only problem is that, in Vladimir Oblast for example, lease agreements have not been drawn up with independent farmers for two years now, even though a quota exists and everything seems to have been resolved at the Agricultural Supply Committee level.

This year approximately 40 oblasts did not earn any money from independent farmers through leasing arrangements. Nor is the situation any better with regard to commodity loans — only a very small number of farmers have access to them.

For eight months now efforts have been underway to finally get the money already promised for investment loans allocated.

As I have already noted, the number of independent farmers is hardly decreasing at all. Furthermore, according to our information and figures from the Committee on Land Resources and Land Management, by fall there might even be an upsurge in private farm activity — in any event, many applications have been submitted. And in order for this sector to function normally, the main thing that is needed now is for the government to finally end its "leftover" approach to state assistance for independent farmers and to recognize independent farms on an equal footing with other types of farming.

***Expanded AKKOR Council Convenes—Land Owners' Conference**

954E1240C Moscow KRESTYANSKAYA ROSSIYA in Russian 31 Jul 95 No 29, -06 Aug 95 p 2

[Article by Yevgeniy Galkin: "Minor in Deeds, Major in Mood"]

[FBIS Translated Text] Recently Moscow hosted an expanded session of the AKKOR Council and a conference of the Russian Union of Land Owners.

Can one believe any promises when none of what has been promised by high government officials to the several hundred members of interfarm cooperatives has been delivered? Six months have passed since the signing of an agreement between the Ministry of Agriculture and Food and AKKOR regarding loans for farmers and supplies of seed and fuel to them. The document is there, but no action has been taken. This was bitterly noted by representatives from various regions of the country.

It is the Council's consensus opinion that there is a need to restructure the mechanism by which materials and funding are supplied to farmers. The speech made by V. Prokhorov, chairman of the newly-established State Committee for the Support and Development of Small Enterprise [Gosudarstvennyy komitet po podderzhke i razvitiyu malogo predprinimatelstva], was positively received because it gave those attending the impression that there is finally someone in the government who is really prepared to help them. But the customary method of distributing the funds that the Ministry of Agriculture and Food still intends to allocate to private farmers is not at all to their liking, because it is a repayment-based funding method.

Also seemingly logical in view of the present unsatisfactory status of private farmers is the intention of the Union of Landowners to become a collective member of the powerful Russia Is Our Home organization. An overwhelming majority of those attending the conference expressed support for this type of cooperation, hoping that deputies will be elected to the Duma who will defend the rights of independent farmers.

***Directive on Commercial Bank Loans for Northern Shipments**

954E1242C Moscow ROSSIYSKAYA GAZETA in Russian 8 Aug 95 p 6

[Directive No 1031-r dated 24 July 1995, Moscow, of the Government of the Russian Federation]

[FBIS Translated Text] Pursuant to Article 4 of the Federal Law on the Rescheduling of the Debt on

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Centralized Credits and on the Interest Charged on Them of Organizations of the Agro-Industrial Complex, as Well as of Organizations Carrying out the Shipment (Storage and Sale) of Products (Goods) to Regions of the Far North and Localities Equated With Them (Collection of Russian Federation Legislation, 1995, No 17, Article 1456), to adopt the proposal by the RF Ministry of Finance and the Bank of Russia on the restoration as of 1 April 1995 within the upper limit of the internal state debt of the Russian Federation for 1995 to commercial banks, which in 1992-1994 provided credits to organizations of the agro-industrial complex, consumer cooperative organizations, and organizations carrying out the shipment (storage and sale) of products (goods) to regions of the Far North and localities equated with them, of sums of centralized credits and of the interest on them—repaid to the Bank of Russia from their correspondent accounts without the payments of funds by borrowers—through the issue by the RF Ministry of Finance to commercial banks of bills with circulation dates during 10 years (as of 1 September 1995) with the payment of an annual interest of 10 percent and annual dates of payment in equal shares during 6 years (beginning in 1998 through 2005 inclusive).

The RF Ministry of Finance, in agreement with the Bank of Russia, shall approve the terms of the issue of bills by the RF Ministry of Finance for the restoration to commercial banks of their own credit resources in the amount of borrowers' debt on centralized credits and on the interest on them as of 1 April 1995, which was formed as a result of the collection from their correspondent accounts of centralized credits and of the interest on them without the payment of funds by borrowers.

***Federal Law Adds Amendments to Law on Central Bank**

954E1238A Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 6

[Federal Law on Changes and Additions in Article 5 of the Federal Law on Changes and Additions in the Law of the RSFSR on the Central Bank of the RSFSR (Bank of Russia)]

[FBIS Translated Text] Adopted by the State Duma on 7 July 1995. Approved by the Federation Council on 21 July 1995.

Article 1. In Article 5 of the federal law on changes and additions in the law of the RSFSR on the Central Bank of the RSFSR (Bank of Russia) (Collection of Legislation of the Russian Federation 1995, No 18, page 1593):

The new part three is to be added following part two with the following content:

Alienation of federally owned shares of the Savings Bank of the Russian Federation (Savings Bank of Russia), as well as a decrease in the share of voting stock by means of which the government (Russian Federation) is authorized to exercise the right to participate in the management of the Savings Bank of Russia (right of voting at the general meeting of shareholders of the Savings Bank of Russia), may be carried out only when a special federal law is adopted on that issue;

Part three is, correspondingly, to be regarded as part four.

Article 2. This federal law becomes effective on the date of its official publication.

[Signed] B. Yeltsin, president of the Russian Federation

[Dated] Moscow, the Kremlin

31 July 1995 No 120

***Russian Commercial Banks To Open Joint Bank in Vietnam**

954F3088A Moscow SEGODNYA in Russian 5 Aug 95 p 3

[Article by A. Grigoryev: "Imperial, Natskredit, and Zarubezhneft To Open Bank in Vietnam"]

[FBIS Translated Text] **Asia Becoming More Interesting to Russian Financiers**

Two Russian banks, Imperial and Natsionalnyy Kredit, and the foreign economic association Zarubezhneft have reached an agreement with one of the largest Vietnamese banks, Vietcombank, regarding the creation of a joint bank on the territory of Vietnam. The protocol of intentions, which was signed recently, provides for six months of preparatory work. During that period a detailed substantiation of the project will be prepared after which founding documents will be signed. The statutory capital of the bank is $10 million which is evenly split between the Russian and Vietnamese sides. As noted in a SEGODNYA interview by Sergey Rodionov, chairman of the board of the Imperial bank, the proposal concerning equal participation in the capital of the new bank originated on the Vietnamese side. The Russian share consists of the following: Imperial and Natsionalnyy Kredit—20 percent each, Zarubezhneft—10 percent.

Imperial and Natskredit discussed the draft of a subsidiary enterprise in Vietnam quite some time ago. It figured in proposals submitted by a consortium of banks working on assets of the former USSR (both banks are

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its active members) to the government this spring (see SEGODNYA of 13 May 95) concerning the regulation of financial relations with debtor countries. According to Sergey Rodionov, the participation of Natsionalnyy Kredit Bank is associated specifically with this aspect. The interests of Imperial and Zarubezhneft meet in the Vietsovpetro joint venture (Zarubezhneft is the founder of the joint venture, while Imperial services that enterprise in Russia). Therefore the new bank will service primarily the financial needs of Vietsovpetro and those of other Russian-Vietnamese joint ventures. Mr. Rodionov states that Imperial will be the principal Russian partner of the bank being created.

To a certain degree it is possible to say that the bank is being created "for a single client," but it is apparent that Southeast Asia, and Vietnam in particular, hold great interest and promise for Russian financial capital. Interests of the founders of the new bank will certainly not be confined to working with just a few, even if major, clients and the servicing of intergovernmental debts. By the way, Russkiy Kredit quite recently announced the intention of creating a joint bank in Vietnam.

In addition, as reported by Sergey Rodionov, Imperial intends to open a branch in Kazakhstan in the very near future. Even though that project is apparently also linked with specific clients, expansion in the direction of Asia reflects an aspiration of that bank to have a presence in new markets.

***List Rates Russia's Largest Companies**

954F2946A Moscow SEGODNYA in Russian
25 Jul 95 p 9

[Article signed "Biznes-Segodnya" (Business-Today): "The 100 Largest Russian Companies"]

[FBIS Translated Text] The BIZNES-SEGODNYA rating of the 100 largest companies of Russia being published represents, perhaps, the first attempt to rank by sales volume the AO (joint-stock companies) and enterprises which have recently emerged that still remain in the ownership of the state. The American consulting firm Dun & Bradstreet, which has long been operating in the Russian market, has made this attempt.

The main obstacle which the compilers of the rating encountered (and which any analyst who wants to repeat Dun & Bradstreet's experiment will inevitably encounter) is the difficult access even to the most general indicators (in this case the volume of sales and profit). That is why Dun & Bradstreet, in comments on its own product, first published in the CENTRAL EUROPEAN ECONOMIC REVIEW, states that, although the computations have been made on the basis of information obtained from reliable sources, the company cannot guarantee the completeness and accuracy of the data.

In the opininion of a Dun & Bradstreet spokesman, the data given for industrial companies corresponds to the greatest degree to the real state of affairs. As for firms engaging in the trading of securities, real estate operations, and other services, it is possible that the information on their sales volume is understated.

Rating of Russian Companies by Sales Volume Based on 1994 Results, bill. rubles

Place	Name	Industry	Sales and Profit Volume	Growth Rate***, %	Profit	No. of employed, persons
1	RAO YeES Rossii	Electric Power	34490	-	5382.4	216298
2	RAO Gazprom	Gas	33378	-8.8	5448	30000
3	LUKoyl-Kholding	Oil	6772	51.1	977.2	60000
4	AvtoVAZ	Motor Vehicle	6740*	-30.4	-53	93271

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Place	Name	Industry	Sales and Profit Volume	Growth Rate***, %	Profit	No. of employed, persons
5	Surgutneftegaz	Oil	5561	48.9	875	10831
6	RAO Norilskiy nikel	Metallurgy	5216*	-36.6	-	50424
7	GAZ	Motor Vehicle	4901*	7	-	96038
8	Novolipetskiy Metallurgical Combine	Metallurgy	3975*	-32.7	-	36560
9	AO Severstal	Metallurgy	2888	-50.6	-	39408
10	Magnitogorsk Metallurgical Combine	Metallurgy	2151*	-59.1	-	52272
11	Novogorkovskiy Oil Refining Combine	Petrochemical	2075	-31.8	-	5452
12	AO MEChEL (Chelyabinsk Metallurgical Combine)	Metallurgy	1902*	-24.2	-	30233
13	West Siberian Metallurgical Combine	Metallurgy	1886	-2.3	-	33400
14	Omsk Oil Refining Combine	Petrochemical	1872	-50.1	-	8723
15	Mosgaz	Power	1790	-	47	5050
16	LUKoyl-Kogalymneftegaz	Oil	1762*	-0.6	-	7225
17	LUKoyl-Langepasneftegaz	Oil	1750*	62.8	-	5177
18	Mosenergo	Power	1699	-47.4	486.3	39727
19	Angarsk Petrochemical Company	Petrochemical	1637	-56.4	-	17159
20	Krasnoyarsk Non-ferrous Metals Processing Plant	Metallurgy	1626*	-45.5	-	2578
21	Yuganskneftegaz	Oil	1560	-50.6	21.8	8915
22	Almazy Rossii-Sakha	Mining	1478*	-58.4	-	12010
23	Yaroslavnefte-orgsintez	Petrochemical	1449	-1.6	243.7	3815
24	Nizhniy Tagil Metallurgical Combine**	Metallurgy	1314*	-63.5	224	35859
25	AO NORSI	Petrochemical	1274	-	258.1	-
26	Mospromstroy	Construction	1222	-	10.9	34149

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Place	Name	Industry	Sales and Profit Volume	Growth Rate***, %	Profit	No. of employed, persons
27	Ryazan Oil Refining Combine	Petrochemical	1130	-49.2	224.9	4188
28	Rosaeronavigat-siya	Transport	1111	-	160.4	14762
29	Kuznetsk Metallurgical Combine	Metallurgy	1107*	-23.5	-	24904
30	Lenenergo	Power	1104	-17.3	-	16681
31	Moscow Oil Refining Combine	Petrochemical	1090	-16.6	107.5	3844
32	Kirishinefte-orgsintez	Petrochemical	1087	-43.5	-	2747
33	Urengoygazprom	Gas	1008*	-36.8	-	3902
34	Komineft	Oil	995*	-11	-	8533
35	UAZ	Motor Vehicle	984*	-38.1	-	8533
36	Kuybyshevnefte-orgsintez	Petrochemical	984	28.8	-	2811
37	Nizhegoroden-ergo	Power	980	22	88.1	9514
38	LUKoyl-Urayneftegaz	Oil	946*	24.7	-	1854
39	Nizhnevar-tovskneftegaz	Oil	927	23.3	-	2378
40	Zavolzhsk Engine Plant	Engine Building	921*	-28.2	-	18982
41	Tatneft	Oil Production	915	-52.7	224.5	19752
42	LUKoyl-Volgograd	Petrochemical	887	-16.5	-	4553
43	NovoOyl	Petrochemical	880	-53	-	4191
44	Bratsk Aluminum Plant	Metallurgy	834*	-51.7	-	11018
45	Nizhnekam-skneftekhim	Petrochemical	812	-54.2	-	16174
46	Moscow International Telephone	Communications	807	-	41.6	4697
47	Mikhaylovskiy GOK	Mining	786*	-12.1	-	11356
48	Sayansk Aluminum Plant	Metallurgy	775*	-3.8	-	6279
49	Komsomolsk Oil Refining Combine	Petrochemical	774	22.2	-	750

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Place	Name	Industry	Sales and Profit Volume	Growth Rate***, %	Profit	No. of employed, persons
50	Mosmetrostroy	Transport	763	-	45.2	15348
51	Permneft	Oil	758*	-9.6	-	6944
52	Ufaneftekhim	Petrochemical	757	-53.6	-	7685
53	KamAZ	Motor Vehicle	756*	-38.7	-	90315
54	Novokuyby-shevsk Oil Refining Combine	Petrochemical	739	-52.8	112.7	6282
55	Izhmash	Machine Building	718	-39.5	-	40987
56	AZLK	Motor Vehicle	703	-35.2	77.1	22101
57	Chernogorneft	Oil	687	21.3	6.6	2997
58	Krasnoyarsk Aluminum Plant	Metallurgy	682*	-53.9	-	10280
59	Yamburggaz-dobycha	Gas	654*	-26.6	-	1768
60	AO Rybinskiye motory	Engine Building	644*	-47.3	-	22919
61	Lebedin GOK	Mining	643*	-56	-	12811
62	Uralsk Motor Vehicle Plant	Motor Vehicle	642	-19.9	-	24367
63	AMO-ZIL	Motor Vehicle	627*	-56.1	-34.5	66318
64	Salavatnefte-orgsintez	Petrochemical	621*	-55.8	-	12912
65	Syzran Oil Refining Combine	Petrochemical	587	-37.5	169.8	2856
66	Kuybyshev Oil Refining Combine	Petrochemical	516	-	106.7	-
67	GUM	Trade	498	11.1	92.7	-
68	Moscow City Telephone System	Communications	477	110.5	113.3	20290
69	Mosteploenergo	Power	474	-	8.7	5341
70	Ufa Engine Building Plant	Engine Building	467*	-30.5	-	26200
71	Moscow-Yaroslavl RR	Transport	445	-	39.4	19005
72	Cherkizovo Meat Processing Combine	Food	445	-	13	378
73	Kuzbass Coal	Mining	443	-28	-	5217

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Place	Name	Industry	Sales and Profit Volume	Growth Rate***, %	Profit	No. of employed, persons
74	First Moscow House Building Combine	Construction	442	-	22.3	2556
75	Mostransnefteprodukt	Petrochemical	406	-	48.8	-
76	Ferreyn	Pharmaceutical	405	-	21.6	4530
77	Moscow-Ryazan RR	Transport	374	-	29.5	14858
78	Rostselmash	Machine Building	364*	-57.3	-	32984
79	Orsknefteorgsintez	Petrochemical	363	-46.7	130.4	4051
80	Vnukovo Airlines	Transport	360	-23.4	0.2	3247
81	Ostankino Meat Processing Combine	Food	345	-	56.1	2422
82	Kemerovo Nitrogen Combine	Chemical	317*	-23.4	-	8124
83	Varyegan-neftegaz	Oil	304	114.1	-32.3	-
84	Glavmosstroy	Construction	296	-	10.7	4292
85	MIKOMS	Food	293	-61.5	86.6	4920
86	Moscow Metro	Transport	283	-	28.2	26727
87	Moscow Plant Kristall	Processing	276	-	4.5	1684
88	Factory im. Babayev	Food	270	-	48.4	2008
89	International Airport Sheremetyevo	Transport	259	-	19.4	3517
90	Sovintsentr	Services	250	-	41.2	3352
91	Moscow Alloys Plant	Metallurgy	231	-47.9	45.8	818
92	Airport Vnukovo	Transport	231	-	22.1	-
93	Moscow Machine Building Plant	Machine Building	221	-	3.4	-
94	Priobneft	Oil	215	-26.5	-	2021
95	Kholmogorneft	Oil	211	-70.7	-	1695
96	AO Apatity	Mining	206	-57.8	-	13847
97	Saratov Oil Refining Combine	Petrochemical	191	-75.4	-	1601

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Place	Name	Industry	Sales and Profit Volume	Growth Rate***, %	Profit	No. of employed, persons
98	SAMEKO	Metallurgy	189	-65.1	-	15265
99	Moscow Telegraph	Communications	188	-	-	19293
100	Renova	Metallurgy	183	-	-	4643

*According to D & B's own estimates

**Data on the Nizhniy Tagil Metallurgical Plant's turnover given for the first nine months of 1994

***Computed on the basis of dollar prices

- —No data

***Industrial Production Prognosis for 1995**

954E1260A Moscow EKONOMIKA I ZHIZN in Russian Aug 95 No 31, pp 14, 15

[Prognosis of industrial production for 1995 made by the Center for Economic Market Conditions: "Prognosis for 1995 of Production of Industrial Output Overall and by Complexes, Sectors, and Most Important Products in the Russian Federation"]

[FBIS Translated Text] The prognosis of industrial production for 1995 made by the Center for Economic Market Conditions comes from a detailed analysis of the production situation in the first half of 1995. The primary thing considered was the intensity of production by large and medium-sized enterprises of industrial output overall, of output of the sectors of industry, and of the most important products as of mid-1995, as well as the monthly rates of change in production during the period from July through December in the last 3-4 years.

Unlike in 1994, Russian industry entered 1995 in a phase of stabilization of the monthly rates of change in its production (this phase began in July 1994 and has continued to the middle of 1995). This predetermines a fundamental slowdown in the anticipated rate of decline in 1995 relative to the preceding year, which most likely will be 4 percent as opposed to the 20 percent which was observed in 1994 relative to 1993.

The definite stabilization of the dynamics of industrial production overall is a result of the fact that, after the most intensive decline which occurred in the second half of 1993-first half of 1994, the output production volumes have quite fully adapted to real effective demand. The anticipated moderate rate of decline in 1995 is forming as a result of compensation for the fairly appreciable decrease in production in sectors overwhelmingly focused on domestic market demand (35 percent in light industry, 12 percent in machine building, 11 percent in the construction materials and design elements industry, and 10 percent in the food industry) through increased production in sectors where a significant activation of exports is observed (a 10 percent increase in production in the chemical and petrochemical industries and a 10 percent increase in ferrous metallurgy), as well as stabilization of production in sectors with a substantial share of output deliveries to foreign consumers (the timber, wood processing, and cellulose and paper industries, the fuel and energy complex, and in part nonferrous metallurgy).

Additional evidence of the overall slowdown in the decline is the fact that production volumes in 1995 may decline in relation to 1994 for 128 of 191 of the most important types of industrial output (67 percent of the total number of categories as opposed to 96 percent last year relative to 1993); of them 86 may decline by 10 percent or more (45 percent as opposed to 85 percent) and 47—to three-quarters their former level or less (25 percent as opposed to 57 percent). The highest proportion of categories where a decline in production is expected in 1995 relative to 1994 is found in light industry, the production of other nonfood consumer goods, and machine building.

In the fuel-energy complex, an increase is expected in 1995 as compared to 1994 in production of gas condensate, coking coal, coal concentrate, and lubricants (in the last case in contrast to the deep decline in 1994). Electricity production will most likely remain close to the 1994 level (while increased production at hydroelectric power plants is possible) as will production of natural gas, primary refining of oil, and production of gasoline and diesel fuel.

Abolishing quotas and licenses for exporting oil helps to a certain degree overcome the demand restrictions on the domestic market; according to the prognosis, this leads to a marked slowdown in the rate of decline in its extraction. It is anticipated that the extraction of oil in 1995 will drop by 5 percent as compared to last year.

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We also anticipate a decline in production of fuel for jet engines (by 6 percent) and thermal energy (by 10 percent, largely because of relatively favorable natural climatic conditions in the first half of 1995).

As a result of the continuing rise in the proportion of natural gas in the structure of consumption of fuel-energy resources, the extraction of energy coal in the first half of 1995 may decline by 13 percent (this includes a 7 percent decline for bituminous coal and a 21 percent decline for lignite), while production of fuel oil, a substantial proportion of which is delivered for export, may decline by 5 percent.

Stabilization of the situation in ferrous metallurgy (above all because of favorable conditions on the foreign market) predetermines the possibility of a 10 percent or more increase in 1995 as compared to 1994 in production of pig iron and rolled ferrous metal products (especially sheet metal products). The extraction of iron ore, the production of coke, and the production of steel may increase to a somewhat lesser degree (while production of oxygen-Bessemer steel may increase by 18 percent), as may the manufacture of fireproof articles. Production of iron ore pellets will most likely remain close to the 1994 level.

The anticipated rate of decline in production of steel pipe is relatively moderate (8 percent), while production of seamless pipe may prove to be close to last year's volume and production of arc welded pipe will decline by 4 percent, but production of welded pipe will decline to less than one-third its former level.

In nonferrous metallurgy, there may be an increase in 1995 relative to 1994 only for the production of nickel, the extraction of aluminum oxide, and the production of rolled aluminum products. The production of primary aluminum is expected to be close to last year's level. However, there will be a decline in the production of refined copper (by 7 percent), production of bulk anode carbon (by 6 percent), and extraction of gold (by 15 percent).

In machine building, an increase in production in 1995 as compared to 1994 is anticipated in production of output which is in demand among subjects of entrepreneurial activity which have been developing in recent years, in the oil refining industry, and in the consumer market. Production of cash registers may increase by a factor of roughly 1.8, of passenger cars—by 5 percent (after last year's decline), of oil equipment—by 3 percent, and of electric lamps—by 3 percent.

After a substantial decline in previous years, the situation in the electrotechnical industry is stabilizing somewhat. The manufacture of AC electric motors with a pivot height of 63-355 mm will most likely remain at the 1994 level, while there may be a 3 percent decline in production of telephone cable, a 6 percent decline in production of small electric motors, a 10 percent decline in production of flexible power cable, an 11 percent decline in production of armored cable, and a 16 percent decline in production of lead batteries (that includes a 24 percent decline in production of car batteries), but a 25 percent decline in production of coil and enameled wire.

The anticipated rate of decline is relatively small in production of anti-friction bearings (8 percent), centrifugal pumps (10 percent), commercial refrigeration equipment (13 percent), industrial pipeline equipment (14 percent), metal cutting machine tools (16 percent, which includes a 7 percent decline in production of special, specialized, and aggregate metal cutting machine tools), and compressors (17 percent).

However, production of the most important types of output may decline more:

output of tractor and agricultural machine building (a 19 percent decline for tractors and a 19 percent decline for harvesting combines);

output of power engineering machine building (a 20 percent decline for diesel engines and diesel generators and a 40 percent decline for steam boilers which produce more than 10 tonnes of steam an hour);

output of road construction and municipal services machine building (a 29 percent decline for excavators, a 31 percent decline for truck-mounted cranes, and a 38 percent decline for machines for the municipal services system; the exception is bulldozers—the decline is only 4 percent, but last year their production dropped to one-third the 1993 level);

output of railroad machine building (a 27 percent decline for passenger cars, a 33 percent decline for freight cars, a 37 percent decline for diesel engines, and a 44 percent decline for electric locomotives);

as well as buses (a 19 percent decline), trucks (a 28 percent decline, with a 32 percent decline for those with diesel engines), and forge and press machines (a 44 percent decline).

In the chemical and petrochemical industries, the highest increase in production is characteristic of ecologically adverse production facilities, where the foreign market's demand for their output has risen substantially in 1995. Production of styrene may increase by a factor of roughly 1.5 as compared to last year, production of benzine, ethylene, and polyethylene—by a factor of

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roughly 1.4, and extraction of apatite concentrate and production of synthetic ammonia, sulfuric acid, soda ash, and synthetic rubber—by a factor of roughly 1.25. After last year's intense decline, a significant increase is predicted in 1995 in production of molded industrial rubber articles (by 44 percent) and of chemical fibers and threads (by 19 percent).

An increase is also anticipated in production of butyl and isobutyl alcohol (by 14 percent), synthetic resins and plastics overall (by 13 percent), phosphate fertilizers (by 11 percent), potassium fertilizers (by 10 percent), polystyrene (by 10 percent), sodium hydroxide (by 8 percent), and nitrogen fertilizers (by 6 percent). Production of rectified methyl alcohol and truck tires may be close to last year's levels.

However, the reduction in above all the domestic market's capacity means lower forecast estimates of production of polyvinylchloride resin (by 9 percent), paint and varnish materials (by 14 percent), and microbiological protein feed (by 27 percent) and an especially marked decline in production of tires for motorcycles and motor scooters (by 31 percent) and tires for agricultural machines (by 42 percent).

In the timber, wood processing, and cellulose and paper industries (not counting the furniture industry), stepped up exports are facilitating a marked increase in 1995 as compared to 1994 in the predicted production of commercial cellulose (by 21 percent), paper (by 20 percent, with 32 percent for newspaper made from it), and cardboard (by 3 percent, with 31 percent for cardboard packaging). Production of plywood is expected to be close to last year's level.

The rate of decline is slowing down markedly in procurement of commercial timber (the decline in 1995 in relation to 1994 may be 3 percent), production of hardwood fiberboard (5 percent), timber hauling (8 percent), production of sawn timber and cardboard boxes (9 percent each), and production of chipboard (12 percent). However, a substantially deeper decline should be expected in production of wooden crossties for railroads (23 percent), door assemblies (24 percent), and window assemblies (27 percent).

In the construction materials and design elements industry, in contrast to the especially deep decline in 1994, there may be an increase in production of asbestos cement sheets (by 11 percent), glazed ceramic tile for interior finishes (by 10 percent), and plate glass (by 5 percent). An increase is also anticipated in production of industrial lime (by 3 percent). Production of structural glass expected in 1995 remains close to last year's level.

At the same time, however, a decline is predicted in production of cement (by 6 percent), wall materials (by 9 percent, with a 6 percent decline for building bricks), gas stoves for homes (by 12 percent), precast ferroconcrete design elements and articles (by 14 percent), nonmetalliferous building materials (by 15 percent), porous fillers (by 17 percent), mineral wool (by 18 percent), linoleum (by 19 percent), and soft roofing material (by 23 percent).

In the food industry, the rate of changes in production by large and medium-sized enterprises of certain types of output in 1995 as compared to 1994 is developing under the impact of deeply interrelated factors with different thrusts; they include the specific ratios of consumer prices for certain types of output, the correlation of the inflation rate and personal income, competition from imported goods, availability of domestic raw materials for producers, monopoly enterprises which process agricultural raw materials, and so forth. An increase in production largely against the backdrop of a fairly deep decline last year should be expected for the production of granulated sugar from sugar beets (by 24 percent, assuming production levels achieved in August-December are characteristic of the average for 1991-1994), production of vodka and liqueurs (by 18 percent), and production of commercial edible fish products (by 8 percent), macaroni products (by 5 percent), and nonalcoholic beverages (by 5 percent). Production volumes of mayonnaise and crude alcohol from edible raw materials may remain close to 1994 levels.

Anticipated rates of decline are relatively small (within the limits of 10 percent) in production of granulated sugar from imported raw materials (by 3 percent), confectionery goods (by 4 percent), groats (by 6 percent), canned meats (by 8 percent), flour (by 8 percent), bread and bakery goods (by 9 percent), beer (by 9 percent), and natural grade packaged tea (by 10 percent). The rates of decline are more appreciable (from 11 to 21 percent) for canned fruits and vegetables (by 11 percent), canned dairy products (by 12 percent), fatty cheeses (by 15 percent), sausage products (by 18 percent), animal fat (by 19 percent), mixed feeds (by 19 percent), and canned fish (by 21 percent).

The situation is especially bad in the primary subsectors of the meat, dairy, and butter and fats industry. The rate of decline in production of whole milk products may reach 25 percent (with reduced production of milk by the public sector of agriculture at 12 percent), meat and first category byproducts—27 percent (with reduced production of meat in live weight by the public sector of agriculture at 20 percent), meat convenience foods—31

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percent, margarine products—44 percent, and vegetable oil—45 percent.

A rate of increase in the manufacture of nonfood consumer goods in 1994 as compared to 1994 should be expected only in the production of certain types of goods in everyday household-domestic use: toilet soap—by 13 percent, and matches—by 5 percent. Production of Russian and ordinary cigarettes may prove to be roughly equal to last year's levels. A relatively small rate of decline is anticipated in the manufacture of radio receivers (by 5 percent after an almost 3-fold decline in 1994), synthetic detergents (by 8 percent), household soap (by 16 percent), and toothpaste (by 16 percent).

A very appreciable rate of decline is predicted for the overwhelming majority of the most important types of domestic electric appliances and radioelectronics because of stiff competition from better quality imported goods which are comparable in price and which have filled the domestic consumer market. A decline of 19 percent is anticipated for the production of household clocks, 29 percent—for freezers, 30 percent—for washing machines, 33 percent—for black and white televisions, 36 percent—for electric vacuums, and 44 percent—for refrigerators, while a decline to almost one third the former level is anticipated for color televisions. A very substantial decline should also be expected for production of porcelain and glazed pottery dishware (by 26 percent), rubber shoes (by 28 percent), motor blocks and motorized cultivators with removable implements (by 33 percent), and motorcycles (to almost two-fifths their former level).

In light industry, an increase in production in 1995 as compared to 1994 is possible only for staple yarn (by 5 percent), and accordingly the production of silk fabrics may decline a little (by 10 percent).

However, crisis phenomena in light industry are still far from overcome because of the continuing effects of factors which influenced the decline in production in 1992-1994 (substantially reduced demand for light industry items because of lower real personal income; competition from imported goods; and sharply reduced and extremely irregular deliveries of raw materials for light industry from the countries of the near abroad, above all raw cotton). Because of the circumstances mentioned, the production of the most important types of output in the following areas may decline in 1995 in relation to 1994:

the overwhelming majority of the subsectors of the textile industry—nonfabric materials (by 13 percent), flax and hemp and jute fabrics (by 15 percent), wool fabrics (by 28 percent, and accordingly, wool yarn—by 26 percent, and virgin wool—by 16 percent), cotton fabrics (by 39 percent, and accordingly, cotton yarn—by 31 percent), carpets and carpet items (to half their former level);

the leather shoe industry—shoes (by 28 percent), artificial soft leather (by 31 percent), and chrome leather goods (by 36 percent);

the garment industry—suits (by 32 percent), jackets (by 46 percent), shirts (to roughly half their former level), coats and jackets (to less than half their former level), and dresses (to roughly 10-23rds their former level).

the knitted goods industry—hosiery and sock items (by 36 percent), knitted fabrics (by 46 percent), and knitted items (to roughly 5-11ths their former level).

***Prospects for Foreign Investments Examined**

954F2947A Moscow SEGODNYA in Russian 25 Jul 95 p 8

[Article by Olga Romanova: "Serious Competition on the Investment Market Awaits Russia; Those Wishing to Sell the Country are Becoming Ever Greater"]

[FBIS Translated Text] The process of attracting investments both to an individual country or a region and to specific projects has long since become serious business all over the world. Already in the middle of the '60s special agencies were opened in many states which worked at attracting foreign investments to their homeland. Today there are about 40 such organizations (with a very extensive system of branches) in the world which participate in a competitive struggle for the world's available investment resources.

Increase in Supply Does Not Reduce Demand

The world-wide peak of direct foreign investments came in the '80s and '90s. In this period the amounts of direct foreign investments increased at far higher rates than the indicators of the development of domestic economies. From the second half of the '80s direct foreign investments increased two to three times faster than the production of world GDP (gross domestic product) and 2.5 times faster than world trade (foreign investments have grown by the highest rates from 1986 through 1990—28 percent a year). After a two-year period of some slump, the volume of capital being exported has been growing by approximately 10-12 percent a year since 1993. Substantial changes in the composition of capital exporters have taken place in the same decade. The USA has ceased being a monopoly donor and today five countries—the USA, Great Britian, Japan, Germany, and France—which supply about 70 percent of the financial resources to

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the world capital market—handle the basic volume of foreign investments. (It is interesting that in Russia the composition of the "big five" is somewhat different: according to Ministry of Economics data the share of the USA in the total volume of foreign investments in the country comes to 19 percent, then followed, strange as it may seem, by Belgium—12.3 percent, Austria—11.2 percent, Germany—10 percent, and Switzerland—7.7 percent).

The Most Active Investors in Russia's Economy

Country	%
USA	19
Belgium	12.3
Austria	11.2
Germany	10
Switzerland	7.7
Others	40

Source: Russian Federation Ministry of Economics

The alignment of forces on the world capital market is determined by the relationship between savings and investments, which rather precisely divides countries into "donors" and "consumers" (among which "vampires" are also encountered, but the investment agencies are quite successfully fighting against them and are taking preventive measures). In the last decade new states from among the rapidly developing, especially the oil-producing, are being added to the traditional countries that are exporters of capital, where the level of savings steadily exceeds the volume of investments.

However, the situation on the world financial market is changing rapidly and at present is characterized by an excess of demand over supply. This is primarily due to the end of the period of depression in the basic capital exporting countries, in connection with which they also have felt a need for additional investments (basically against the background of a complex demographic situation which provokes a slowing down of the growth of savings). However, by this time a pool of "new" consumers of world capital has already developed. Countries with a so-called transitional economy have been added to the permanently developing countries. These are mainly the post-socialist states, part of whom have entered into the far more numerous family of basic traditional consumers of world investments. As a result the competition for investments has intensified as never before.

Neighbors—The Most Dangerous Competitors

One can arbitrarily divide Russia's potential competitors in the struggle for world capital into three groups (providing that competition with the developed countries doesn't threaten the country in the near future). First, these are the 10 Asiatic and Latin American countries which absorb 70 percent of all the world's investments (Mexico, Argentina, Brazil, Malaysia, Hong Kong, Thailand, Singapore, Taiwan, Indonesia, South Korea). It is typical that telecommunications, transport, insurance and banking, etc. are the most attractive for investors in these countries. Moreover, Mexico, which is part of the group, today is a leader in attracting investments with respect to many items despite and in many respects thanks to the winter's crisis. According to the unanimous opinion of experts Russia is not in a position today to compete with it: there's too much American capital there and this country is too costly for the IMF and the World Bank.

The second group of potential Russian competitors on the world capital market are our former best friends and partners: the CEMA countries, China and partly Vietnam. This especially has to do with Hungary, which gets 2/3 of all investments in the countries of Central and Eastern Europe, as well as Poland and the Czech Republic. China remains the undisputed leader among the former socialist countries. By 1995 it had succeeded in attracting on the order of $35 billion in foreign investments. However, Chinese statistics differ somewhat from Russian and that is why these data suffer from a certain amount of lack of comparability (China has taken the path of the mass creation of free economic zones, which have been justified as poles of growth and modernization. Nevertheless, on average the development of one square kilometer of a zone requires $12-15 million of state infusions. Shenzhen, the largest zone in China, had a negative foreign exchange balance during the first 10 years, covered by loans from the Central Bank of China).

The third group of competitors is the most vexing. It includes, according to the prime minister's expression which has recently become popular, the "near abroad," i.e., the countries of the CIS and partly the Baltic region. Kazakhstan, Ukraine and Belarus are becoming Russia's main competitors in attracting foreign capital of late. Let us note that the Russian Ministry of Economics is actively preparing investment cooperation programs with the CIS countries which contemplate reciprocal investments, possibly on special conditions. In the words of the director of the Center for Aiding

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Foreign Investments of the Russian Federation Ministry of Economics, Sergey Tsakunov, "foreign investments are not only investments from the 'sharks of capitalism' but also from Moldova, Ukraine, and Kazakhstan. We expect a mutual interweaving of capitals, since accumulation processes are proceeding equally and they also will soon have large amounts of capital." (Especially given the active support of the process on the part of the Russian authorities: it is enough to recall the presidental edict signed in June concerning the transnational financial-industrial group Interros, which granted to the group and the UN Export-Import Bank especially favorable treatment in Russian-Kazakhstan projects.) Incidentally, Kazakhstan is the leader in obtaining Russian investments among the CIS countries: its share comes to 98 percent of the investments of Russia in the CIS countries (Ministry of Economics data for the first quarter of 1995).

Russia is Rapidly Losing its Exclusivity

The Russian economy's annual potential need for foreign investments is estimated at $10-12 billion a year. (The Ministry of Economics forecasts the achievement of this indicator in 1998; the volume of direct and portfolio foreign investments in 1994 is estimated at $4 billion, the forecast for 1995 is $2-3 billion, for 1996—$5-6 billion, 1997—$7-8 billion a year.)

However, the conditions of the competition for investments on the world market are becoming more complicated with every passing year, the circle of potential importers is expanding, and they are greatly concerned with the improvement of their own investment climate. More than 70 countries have been drawn into the process of the privatization of state property in the '90s; moreover, this sphere usually is the main area for the attraction and use of foreign investments. In addition, Russia's potential competitors are trying to take special measures to strengthen their own positions (among these are measures for the maximum opening-up of the economy and liberalization of the investment process, the introduction of guarantees against nationalization and confiscation of property, bilateral agreements concerning the reciprocal encouragement and protection of investments, the lifting of restrictions on foreign investments in high-tech sectors, the cancellation by developing countries of restrictions on the participation of foreigners in the capital of resident firms, acceleration of the adoption by the governments of competitor countries of laws protecting intellectual property, stimulation of the influx of investments into import-replacing sectors, and preferential tax terms).

However, Russia enjoys exclusive advantages in comparison with its competitors, having a potentially very capacious internal market, natural resources which permit diversification of sources of raw material and fuel, and a comparatively cheap and here and there skilled labor market. The utilization in certain sectors of appreciable scientific and technical potential and of unimplemented ideas which one can now and then use almost free of charge, as well as the islets of high technologies and skilled specialists available, also attract western companies. The organization of the competitive export of goods produced in Russian enterprises on the basis of western technologies using the already in place sales networks of the foreign partners and on the basis of relatively rather low production costs is also quite possible in Russia. The danger of the transfer of "dirty" technologies to our territory is especially great in this sphere.

Nevertheless, Russia is gradually losing its exclusivity, especially as to price. Russian specialists are now not cheaper than western ones, but sometimes even more costly, and no one remembers the former cheapness of real estate of two-three years ago. The super-favorable regime of the functioning of joint enterprises—the so-called "rosy period of the small investment boom" of the Gorbachev epoch—has ended with the granting of a national regime to investors. In addition significant domestic capital, which has begun to constitute serious competition to foreigners in the area of portfolio investments, has developed.

The "erosion" of unique conditions has placed Russia in single file with all the rest of the countries with a transitional economy, but the formation of a portfolio stock market has permitted hanging on it the tag of a traditional consumer of investments. The change in the situation has permitted specialists, and subsequently the government, to come to the conclusion that it is neccessary to actively engage in propagandizing Russia as a country that is attractive for investments.

The Center For Foreign Investments Proposes the Irish Course

Who didn't engage at different times in attracting foreign investments to Russia: Shokin's RAMSIR (Russian Agency for International Cooperation and Development), a government committee on investments, Gosinkor (State Investment Corporation), which fell into disgrace because of a scandal with its "edict about a quadrillion" (about the transfer to it in trust of half of Russia), semi-state and altogether of obscure origin corporations (the scandals connected with the present chairman of the industrial party Vladimir Shcherbakov, who after his removal from the post of deputy premier under Pavlov actively but with little understanding engaged in attracting investments to Russia are now already forgotten). Recently 26 of the largest banks have founded the

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Russian Foreign Banking House (Rossiyskiy zarubezhnyy bankovskiy dom—RZBD), which is to act as the middleman of Merrill Lynch with respect to the distribution of highly liquid shares of Russian enterprises in the West. However, little hope is placed on opening the RZBD in London.

Perhaps the large foreign investors themselves have been the first to realize the perniciousness of such a continual reshuffling, especially those who placed direct investments (90 percent of the direct investments in Russia have been handled by only 10 foreign firms). In the past year the major investors, having chosen Ernst & Young, which is quite close to the government, as coordinators, have been able to secure the creation of a consultative council on foreign investments. Viktor Chernomyrdin, who gave a programmatic speech on foreign investments, presided at the recent fourth meeting of the council. The following institutions for aiding foreign investments have been operating since June under the consultative council and simultaneously under the Ministry of Economics: the permanent committee of the consultative committee on foreign investments and the Center for Aiding Foreign Investments.

The Center for Aiding Foreign Investments also will be, to all appearances, the agent of Russia with respect to attracting foreign investments. The chief task of the Center is the creation of standard conditions for the acceptance of foreign investments which can be understood the world over. At the same time stress is being laid on the opening of a network of specialized agencies throughout the whole world, but at first only in Frankfurt, London, Milan, Chicago, and New York. In the words of Mr. Tsakunov, "these agencies, or investment bureaus, will operate according to the classic arrangement, approximately like a tourist bureau. We will actively and passively suggest a field for investments and fight for clients."

Since the center is the offspring of the Ministry of Economics its task encompasses basically the attraction of direct investments. As regards portfolio investments "the first violin by rights belongs to the State Property Committee (GKI), the Russian Federal Property Fund (RFFI), and the Federal Commission on Securities and the Stock Market. Here we will hardly be able to render decisive support, but we will work together." Evidently joint work will be conducted at first in Frankfurt, where the center and the RFFI are opening the first investment bureau.

In countries which have long, actively, and successfully been engaged in attracting foreign investments special programs have been developed, for example "Locate island" or "Locate to Malaysia". There is a more refined way: the use of traditional marketing methods to develop a program "to sell country," but since such a term is unacceptable in the Russian political environment, the Ministry of Economics gravitates more to terminology of the "country marketing" type. However, terms which are tricky in our pre-election conditions don't frighten Mr. Tsakunov too much: "When 20 years ago in Germany programs were initiated "to sell country," first of all the well known program of "selling the Ruhr region," i.e., of attracting investments precisely to the Ruhr precisely the same patriotic wave was observed in the newspapers as there is with us now—about the selling-off of Russia. There's nothing whatever specifically characteristic of Russia here: for example, the USA is now on sale to Japanese capital, and this is offensive for many. But all this is only a manifestation of the natural process of the globalization of business. It's already impossible to remain within Russia without getting mixed up with international business."

The investment agency from which the agency "will follow the example" is the Irish Development Agency. During 20 years of work the Irish agency has opened 140 of its bureaus throughout the world, has attracted investments in the most important Irish projects, primarily in the contruction of Shannon airport and in high-tech production units (today 50 percent of all the computers produced in Europe are assembled in Ireland). At present a proposal concerning cooperation is being prepared which provides for the transfer to Russia of part of the investment resources which Ireland itself is not able to digest. Given the will projects can be found as well in Russia which, in Mr. Tsakunov's words, we have not grown up to."

It is evident that the Irish achievements are connected mainly with a preferential investment regime. This is desirable but for now unattainable on Russian soil. One can engage in improving the country's image as much as one likes, but one cannot guarantee the result of the elections. However, the consultative council on foreign investments has for already almost two years been studying the specific conditions of business in Russia and has participated most actively in the abolition of a number of tax discriminations and restrictions for foreign investors.

The center anticipates not so much a purely economic as a propagandistic effect from its activity in the very near future. At the same time the center is accepting applications from regions and enterprises, recognizing that it no longer can keep up with some subjects of the federation. For example, the investment attraction program of the Nizhniy Novgorod region or of Moscow, as Mr. Tsakunov admits, is "a thing that has outgrown us." Nizhniy Novgorod intends to open

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its own investment bureau in the same Frankurt and Moscow "is altogether very powerfully forging ahead on the world market, using, nevertheless, the same standard methods."

Sectors Oriented to the Domestic Market Are Beginning to Compete With the Fuel and Power Complex

The composition of the leading sectors with respect to the volumes of the attraction of foreign investments during the first quarter of 1995 looks very surprising, at any rate differing from the general tendency of recent years. Thus, according to Ministry of Economics data, the distribution of foreign investments received in 1994, bears the clearly defined character of the domination of the fuel industry (49 percent of the total volume of foreign investments). About 10 percent of foreign investments were put into the construction sector. In the first quarter of 1995 the distribution by sectors has become more even and the leader in attracting foreign investments in recent years—the fuel and power complex—has moved from first place to tenth (2.3 percent of the total volume).

Sectorial Structure of Foreign Investments (I Quarter)

Sector	%
Wood Processing and Pulp-Paper	13.4
Trade and Public Catering	12.9
Machine Building and Metal-Working	11.6
Construction	8
Transport and Communications	7.9
Science and Scientific Services	7
Printing	5.7
Food	4.4
Finances, Credit, Insurance, Pension Services	4.2
Fuel	2.3
Others	22.6

Source: Russian Federation Ministry of Economics

In the opinion of Ministry of Economics specialists, "such a trend indirectly indicates that the structural reorganization of the domestic economy is yielding its first fruits. The investment attractiveness of the raw material sectors is declining somewhat, giving place to industrial that are oriented to a domestic market that is becoming stronger."

Nevertheless, a somewhat different explanation looks more plausible. The fact, most likely, is not only that "the approach of domestic prices to world prices, especially in the raw material sectors, compels foreign investors to put money into sectors of stable demand, and the intensification of tariff regulation for some time permits increasing the share of the satisfaction of effective demand by domestically produced goods." The shift of the fuel and power complex to tenth place is related also to a phenomenon which can be characterized as "standing still before jumping." The continuation of very tempting projects requiring the concentration of resources and capital is anticipated in the near future precisely in the fuel and power complex. And the fact that such a scandalously promising sector as metallurgy and metal-working stands in the not too honorable seventh place may suggest the subtle camouflaging of the foreign investors.

Unfortunately, today our foreign partners use Russia only as an object for obtaining high revenues as usual, not relying too much on the benefit of reinvestment. The profit is either almost completely exported or settles in the foreigners' bank accounts in Russia and does not participate in the further development of production. According to Ministry of Economics data, during the first three months of 1995 foreign promoters reinvested $41,000, which comes to 0.02 percent of their total revenue obtained in Russia.

Territorial Structure of Foreign Investments (I Quarter)

Territory	%
Moscow	47
Altay Kray	6
Samara Oblast	5
Saint Petersburg	4
Kamchatka Oblast	4
Others	34

Source: Russian Federation Ministry of Economics

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***New Uses for Nuclear Equipped Ships, Subs Investigated**

954E1242A Moscow ROSSIYSKAYA GAZETA in Russian 5 Aug 95 p 9

[Interview with Doctor of Technical Sciences Valentin Dolgov conducted by Sergey Alekhin, St. Petersburg; place and date not given: "AES—Underground!"]

[FBIS Translated Text] The entire nuclear undersea fleet of the Soviet Union was born within the walls of a building modest in its appearance on one of the streets remote from the center of St. Petersburg. Until recently the mere mention of the name of this institution in the press was simply inadmissible. Today, like all firms of a similar rank, Malakhit is going through difficult times.

The naval office has fallen into the ground swell zone, barometers promise economic bad weather, but compass needles indicate to the firm's collective the only acceptable course today—conversion. According to the strategic arms limitation agreement, a certain number of Russian nuclear submarines with missile complexes on board must be utilized. The menacing nuclear-powered submarine vessels developed through scientists' labor await their turn in the other world, though very many of them have not yet sailed even for one-half of the prescribed period.

Specialists at the naval office did not begin to observe indifferently how ships built by the vast collective would be turned into metal scrap. Today in the Malakhit box there are many very interesting developments. We asked Doctor of Technical Sciences Valentin Dolgov, director of work on nuclear electric power stations, to tell ROSSIYSKAYA GAZETA readers about some of them. We would like to note that Valentin Nikolayevich's specialty is a field totally new for Malakhit.

[Alekhin] Valentin Nikolayevich, how are nuclear submarines to be used for peaceful purposes?

[Dolgov] We carry out work in three directions. The first includes the problem of application of power installations of nuclear submarines as sources of electric and thermal power. Tests conducted in Sakhalin Oblast confirmed the possibility of use of submarines as stationary floating electric power stations of 3- to 5-MW capacity. Such a station can provide coastal regions with electric power for 3 to 5 years. At the same time, the cost of generated power with due regard for expenditures on reconstruction and operation will be at least fivefold lower than that of electric power stations of the same capacity on organic fuel.

According to Malakhit's evaluations, the total cost of planning and work performed directly at the plant for the reequipment of submarines will amount to about 10 million U.S. dollars and their length will not exceed 1 and 1/2 years.

Consolidated calculations of the economic efficiency of the project as applied to Iturup Island show that expenditures on the reconstruction of nuclear submarines into an electric power station are recovered in less than 2 years and at the existing rates of rise in prices of oil products and their transportation to the place of destination even this period can be shortened by approximately one-third.

Our proposal received a positive evaluation at a conference with the first vice-governor of Sakhalin Oblast, in which managers of all interested structures, including the inspectorate of the Russian Federal Oversight of Nuclear and Radiation Safety and the Committee on Ecology and Nature Utilization, participated. A program for the realization of the project was adopted. Unfortunately, however, its fulfillment was stopped owing to natural calamities in Sakhalin.

Work on the development of floating nuclear electric power stations belongs to the second direction. Research in the volume of a technical proposal executed by Malakhit according to a contract with the Rosenergoatom concern showed the fundamental possibility of developing a floating AES [nuclear electric power station] of 50 MW capacity in the shortest possible time. Experience in the construction and operation of nuclear power installations of nuclear submarines with reactors cooled by a lead-bismuth liquid-metal coolant and of fast-neutron power reactors will be utilized. Incidentally, for this exceptionally important work completed in 1994 and accepted without remarks the Rosenergoatom concern did not pay Malakhit a single kopeck.

[Alekhin] What does a floating AES represent?

[Dolgov] It is not a self-propelled vessel, which can be towed, for example, to the shore of a remote island, or to some not easily accessible region. For example, the planned Kruiz-50 station will be 85 meters long and 18 meters wide and have a draft of 4.5 meters. The station's displacement will be 6,650 tonnes. Service personnel will be placed on board under comfortable conditions.

The development of a floating AES does not require a large volume of scientific research and design work. The basic elements of a nuclear power installation have been developed and tested and will function under less "tense" conditions than on submarines. The high safety of a floating AES is ensured mainly by the properties of the installation's internal self-protection, which rule out such serious accidents as an explosion of the reactor and loss of the coolant. The use of a fast-neutron reactor in

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the structure of a floating AES makes it possible to operate the station in cycles of 7 or 8 years without a reactor overload. The placement of the reactor installation in a hermetically sealed container rules out the discharge of radioactive substances into the environment during normal operation and the most serious project accidents. The dose load on the population is lower than the natural radiation background by several orders.

[Alekhin] Possibly, the planning of underground nuclear stations is Malakhit's most interesting conversion program. They are not built anywhere in the world. Why do our scientists design AES in the depth?

[Dolgov] Nuclear technologies of the next decade must meet higher-level requirements, the most important of which is safety. There is a need for AES, which rule out the possibility of dangerous radiation accidents connected with an uncontrolled prompt-neutron reactor runaway, stopping of the cooling of the active zone, and seal failure of the first circuit, as well as in case of fire and external effects.

[Alekhin] What must be done so that the underground nuclear electric power station may meet these requirements?

[Dolgov] The new station will be based on the use of nuclear installations with a liquid-metal coolant, which has the maximum achievable safety and self-protection. In installations with a liquid-metal coolant, in principle, there are no reasons for the occurrence of serious accidents, which could lead to a reactor explosion, destruction of the active zone, and escape of considerable radiation into the environment. The AES is to be placed in geologically stable formations, such as granites, Cambrian clays, and saline deposits. This will ensure a higher level of station resistance to external effects and will be an additional barrier on the path of radioactive discharge.

The power unit of the underground AES will consist of two autonomous modules of a total capacity of 440 MW. It is optimum in terms of the circuit, arrangement, and conditions of installation. It corresponds, which is very important, to sizes of underground tunnels, vertical mines, and inclined shafts developed by underground railway builders. Malakhit workers propose to utilize the vast experience of subway builders in the development of underground nuclear electric power stations.

[Alekhin] Within what time will it be possible to build the first station?

[Dolgov] According to joint evaluations by specialized enterprises, the length of the establishment of new-generation stations will be 8 to 10 years from the moment of the beginning of financing.

The first steps in the realization of the project point to the promising nature of this field of nuclear power engineering. During the examination by the administration of Kaliningrad Oblast of the proposed concept of construction of an underground AES two conditions were set for Malakhit. First, to receive an official confirmation of the "suitability of geological formations of the Kaliningrad region for the construction of underground stations" and, second, to clarify the attitude of Kaliningrad's residents toward nuclear power engineering.

In the absence of financing Malakhit managed to enlist leading scientific research and planning organizations in this field in an expert examination of engineering, geological, and hydrological characteristics of the soil of the Kaliningrad region. They prepared a number of independent reports generalized in the decision of the Scientific and Technical Council on Geological Ecology of the North-West region. The answer—positive: An underground AES can be built in the region.

Having familiarized itself with these results, the administration of Kaliningrad Oblast made a statement, which contains an agreement in principle to the construction of an underground AES in its region.

The Finnish firm IVO International became interested in the concept of the creation of an ecologically pure, safe, and economically efficient energy source. It signed a protocol on joint activity in the field of new energy technologies. In accordance with this protocol the firm undertook a search for sources of financing for the development of a business plan for an underground AES. According to a joint evaluation, this will require about 1 million Finnish marks (250,000 U.S. dollars).

During a visit to St. Petersburg in April of this year V.V. Gerasimov, minister of fuel and energy of the Belarus Republic, entrusted Malakhit with the development under contractual conditions of proposals for the construction of an underground AES in his republic.

The Department of Science and Higher School of the St. Petersburg Municipal Council also positively evaluates the concept. A.M. Yelyashevich, its director, even promised financial support for the work on the first stage performed by Malakhit.

Thus, the conversion program in the field of nuclear power engineering has received quite weighty support. It remains only to put the numerous agreements and promises into practice and with the funds received to continue work on the development of technologies of the 21st century.

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***Mineral Resource Laws Contradictory, May Hinder Investment**

954E1251B Moscow ROSSIYSKAYA GAZETA (BIZNES V ROSSII SUPPLEMENT) in Russian 11 Aug 95 p 15

[Article by Mikhail Subbotin: "Re-Examination Put Off Until Fall"]

[FBIS Translated Text] **Parliament has prepared a package of laws on mineral resource use in Russia. However, it has turned out that many of them contradict one another.**

At the end of the parliamentary year, events occurred, which may have a serious impact on the investment climate in Russia. After the State Duma passed the Law on Production-Sharing Agreements (SRP) on 14 June 1995, it seemed that investors had been given a clear sign: relax, civil-law relations in mineral resource use are gradually being consolidated in the country and it is possible to proceed "in earnest and for the long term." However, while the Law on Production-Sharing Agreements was awaiting approval by the Federation Council, the Law on Oil and Gas, the Law on the Continental Shelf of the Russian Federation [RF] and the Law on Foreign Trade Activities were passed, as well as, on first reading, the Law on Precious Stones and Precious Metals and the Law on the RF's Exclusive Economic Zone, which noticeably tighten up —in comparison with the Law on Mineral Resources — the licensing and administrative procedures for granting an investor the right to use mineral resources and which intensify state meddling in an investor's affairs. I.e., after the investor has clearly stated that he will not pay money under the terms of the Law on Mineral Resources, more and more new laws are passed, in which the legislators are competing in the "defense" of state interests, attempting to drive the investor into bondage and not paying attention to the fact that there are neither investments nor money in the budget....

In addition to everything else, there has arisen the serious problem of the coordination and the demarcation at once of the spheres of action of several laws. It is being aggravated by the uncertainty of the prospects with respect to the Law on the Fundamentals of the Tax System in the RF, inasmuch as the law passed by the State Duma was not simply postponed by the Federation Council at its last sitting — the senators also initiated an alternative version of this document. Now there will be a burdensome agreement procedure and, until then — without a tax law — any kind of stability in contracts is impossible.

The laws which I have mentioned, along with the draft laws, the discussion of which is being held in the State Duma (for example, the Law on Concession and Other Contracts, the Law on Federal Natural Resources, the Law on Natural Monopolies and the like), are shaping up into a complicated and motley pattern of diverse acts (adopted or in preparation) of legal regulation of an investor's activities in the sphere of mineral resource use. Here the investor's actions are being regulated, first of all, by the Law on Mineral Resources and the Statute on the Licensing Procedure, in accordance with which, legislative regulation of capital investments has been built on the foundation of public law. In turn, the first part of the Civil Code specifies something else — the civil-law nature of the mutual relations between the state and the investor. This approach was also developed further in the Law on Production-Sharing Agreements. And now the Law on Oil an Gas is being adopted as a special one to the framework Law on Mineral Resources and just.... As if there were no Civil Code, no investment laws, no laws on Production-Sharing Agreements and so on. This waters down the undoubtedly needed Law on Oil and Gas (in particular, it defines for the first time the legal bases for the functioning of cross-country pipeline transport), but it is in need of serious revision: after the passage of the Law on Production-Sharing Agreements, ignoring the very possibility of the existence of civil-law relations in mineral resource use, including in the sphere of oil and gas extraction, is no longer possible.

The idea that obtaining the right to use sections of mineral resources is possible exclusively as a result of the issuing of a license no longer corresponds not only to Russia's legislation but also to practice, in accordance with which a number of large projects — each worth several tens of billions of dollars — based on production-sharing terms have been signed without preliminary permission or are close to being signed. To put it briefly: there will be either peaceful coexistence of the public-law and civil-law procedures for the use of mineral resources or the retention of the current procedure, against which the investor is "voting with his feet" — fleeing the country.

Unfortunately, the Law on Production-Sharing Agreements has not even been approved by the Federation Council (although it has also not been voted down). One would think that it is precisely in the upper house, where there are many leaders of regions, the prosperity of which depends on an influx of investments and they, in turn, on the Law on Production-Sharing Agreements, that it should be given the "green light." Far from it. Heated discussions flared up. And only on the very last day was a decision made to vote using questionaires. The tallying of the results, apparently, should not be

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expected sooner than the beginning of October. Representatives of the Committee on the Budget and Financial, Currency and Credit Regulation spoke out especially sharply against the law: Yu. Boldyrev, L. Sablin and A. Titkin.... The paradox of the situation lies in the fact that Yu. Boldyrev opposed his own YaBLoko [Apple] faction which actively supports this law and where, incidentally, powerful economists have come together, while L. Sablin is from the Nenets Autonomous Okrug, where tender offers have been made and the law's passage is being awaited especially impatiently. Are the senators really not interested at all in what the people in their small homeland think? (The discussion, of course, is not about A. Titkin, who long ago made the struggle for "state" interests, where there is no place for the people's interests, his speciality.)

Highly significant is the position of Mr. Boldyrev who declared that "the executive authority cannot be entrusted with the concluding of such important documents and they should be ratified or adopted by individual laws (each large project)." In brief: control, accounting and.... The accounting house where Yu. Boldyrev works. Here I will venture to make a comment. There exist two action alternatives for the representative authority: criticizing and monitoring the executive authority, requiring an accounting and the like, i.e., doing everything so that it becomes efficient (and this is normal: it should be "in tip-top shape!"). But the authority can also act in a different manner: establishing wherever possible its own parallel structures, duplicating the executive authority. Naturally, after some time, it will no longer be clear just who is responsible for what. Is the esteemed senator really ignorant of how many large deposits there are in Russia and how many laws are being passed by the State Duma? If Mr. Boldyrev's viewpoint were to prevail suddenly, this would mean total paralysis for both the representative authority (if just the agreements on the Production-Sharing Agreements are considered) and the executive authority — there would be outrageous red tape involving the signing of Production-Sharing Agreements. And an inevitable exodus of investors (both native and foreign) out of the country....

But now a quote. "The mentioned federal law contains a number of provisions about granting investors specific tax and customs breaks and the preferential use by them and certain other legal persons of currency earnings, as well as about special features of the budget-related mutual relations between the federal organs of authority and RF components" contends the Budget Committee in its own comment. But the truth is otherwise. According to the Law on Production-Sharing Agreements, an investor is really not supposed to pay taxes, but the state will collect its due by another method. In the course of the negotiations, after an analysis of a project's TEO [technical and economic feasibility study] and the conducting of departmental and independent studies, a contract is drawn up with the investor on the "price" for the right to use mineral resources for a specified period. This is that price, for which the investor is prepared to acquire the use rights and the state is prepared to grant them. The retention of one or another of the tax or other restrictions simply changes this price. There are no breaks here: what occurs is the replacement of one mechanism for mutual settlements (the tax one) by another (the royalty one).

Now Russian enterprises have no funds for development, but, if the existing taxes are maintained and production sharing is also introduced, then it will act as an additional tax. Is this really what the authors of the corresponding proposal wanted? If some kind of tax or payment is retained, the state's share in the profitable production will simply decrease. The state wins on the one hand, but loses on the other. The idea of the Production-Sharing Agreements lies in maximum consideration of the interests of the parties so that the optimum conditions for the development of the deposits and the mutual settlements is selected, so that, as a result of this, the realization of large investment projects is begun, along with the replenishment of the state, regional and local budgets, and, finally, so that the regions obtain greater economic independence.... But now the "champions of state interests" show up and... everything goes to pot.

The Golden Rule — "do not put off till tomorrow what can be done today" — remained uninvoked. The senators lacked the political will to decide the most important investment matter prior to the holidays. And what are the Nenets Okrug, Sakhalin, the Khanty-Mansi region and many other regions, where the development of deposits was just about to begin, supposed to do now?!

*Investors Unwilling To Fund 'Shadow Economy' Aluminum Industry

954E1246A Moscow ROSSIYSKAYA GAZETA in Russian 9 Aug 95 p 2

[Article by A. Chichkin: "People Are Dying for Aluminum"]

[FBIS Translated Text] **The redistribution of branch property, which is resulting in more new victims, is pushing away potential investors; they do not want to deal with the shadow economy.**

New redistribution of the aluminum industry began recently. The management of Krasnoyarsk Aluminum Plant Joint-Stock Company suddenly withdrew the

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Russkiy Kapital Joint-Stock Company from the register of its shareholders along with the Zalog Bank, representing the interests of Trans-SIS, which purchased 20 percent of the shares of the Krasnoyarsk Plant. Recently the notorious Yugorskiy Bank has been working on the question of enticing the Krasnoyarsk Plant as a client together with the Achinsk Alumina Combine. At the same time attempts were also being made to pull over that rich client to their side by certain other Moscow banks. Meanwhile rumors began circulating in Krasnoyarsk that the management of the Krasnoyarsk Plant had become dependent on the local criminal syndicate, which bought up a large block of shares of that enterprise through dummy companies.

A number of murders are being associated by many specifically with this new redistribution of property in the aluminum industry. Vadim Yafyasov, vice president of Yugorskiy Bank, who, by the way, formerly was the commercial director of Krasnoyarsk Aluminum Plant, was murdered on 10 April. Viktor Tokarev, commercial director of Sayanogorsk Aluminum Plant, was seriously wounded that same month. Oleg Kantor, president of Yugorskiy Bank, was murdered on 22 July while Sergey Brzhosnevskiy, director of the Moscow office of the Volgograd Aluminum Plant, was badly wounded on 31 July.

If all of these killings are really linked to the aluminum business, which many do not doubt, it is necessary to take a closer look at what is actually taking place in this branch and why it is turning into a criminal venture.

First of all, we must say that aluminum exports from Russia have become a highly profitable business. Even at dumping prices coupled with simultaneous expansion of the markets, the branch gets very good profits. That is the reason it received the attention of business structures not only in Russia but in Western Europe as well. It also quickly found itself "mixed up" with transnational structures to the same degree as the oil and gas industry.

Since 1993 the Russian aluminum complex, and primarily its export-import possibilities, began depending to a growing degree on "tolling," which in its present Russian version—not without the "practical influence" of V. Yafyasov and V. Tokarev—represents a 1 to 3 year contract, in accordance with which a foreign firm or supplier delivers raw material to a plant, pays for its processing, and then receives finished products in return. This has its advantages. First of all the plant receives guaranteed raw material and has a guaranteed market for the products. There is no threat of any job cuts or bankruptcy. People earn very decent wages while at the same time at some of the neighboring plants wages remain unpaid for months.

The Trans-SIS, which is backed by the Trans-World Metals transnational corporation, was among the first companies to initiate "tolling." During 1993-1994 it bought up 70 percent of shares of the Sayanogorsk, 50 percent of the Bratsk, and 20 percent of the Krasnoyarsk aluminum plants. Naturally, it is directly interested in the growth of aluminum exports in Russia.

Thus a technological "chain" was created: imported raw material (or alumina) arrives at a special terminal at the Far Eastern port of Vanino, which, by the way, was built by Trans-World Metals, from where it proceeds to the aluminum plants of Eastern Siberia. The marketing of finished products is now also conducted with the aid of "tolling" through Vanino. As a result, Russian aluminum has literally started flooding the world market, because of which the revenues of other exporting countries went down: export prices for Russian aluminum are 10-17 percent below average world prices.

Such an expansion of Russian aluminum into the world market, naturally caused a certain nervousness among an entire series of firms. Many large companies, producing aluminum goods, such as Peshine (France), Hydro Aluminum (Norway), Swiss Aluminum (Switzerland-Liechtenstein), and the transnational companies Alcoa and Kaiser Aluminum even proposed some modernization programs for Russian aluminum plants designed, in part, to increase the output and sale of products within Russia and the CIS itself so as to relieve their pressure on the world market. Peshine and Hydro Aluminum, for instance, made such proposals to the plant in Bratsk. The same offer was made to Krasnoyarsk Plant by Alcoa and Peshine.

Last year the Russian Government assured aluminum exporting countries that they would cut down on production and intensify control over alumina-aluminum exports. That is very important for our country, even if only because the export boom has greatly increased the wear on production capacities while also raising the ecological costs. According to estimates made abroad, up to 70 percent of the production capacities of the aluminum industry of Russia no longer meet modern operating and ecological requirements.

It must be said that matters have begun moving. According to Igor Prokopov, president of the Aluminiy concern, this year Russia will no longer be increasing the production of aluminum as compared with last year. This decision, however, will hardly appeal to those who are deriving a substantial income from that branch, especially since according to information from Russian and foreign experts, average world export-import prices for aluminum will undergo a sharp increase by the fourth quarter. It is unlikely that the plants will want

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to avoid increasing the volumes of delivery of Russian aluminum on the world market. It will be difficult to even slow down the export flywheel which is now spinning and bringing vast profits to the new owners of Russian aluminum. No one wants to lose such revenues.

At the same time a review of the list of those who are feeding at the aluminum trough has started. If it is indeed true that a plant has come under the control of the local mafia, then the shots heard in Moscow may prove to be far from the last ones.

The shots fired in Moscow have already cooled down the ardor of certain foreign investors who just yesterday were prepared to invest their capital in the development of the Russian aluminum industry. According to Christian Van Hutte, president of the Association of the Aluminum Industry of Canada, who took part in a May seminar for executives of that branch held in Moscow, Canadian firms at this point do not intend to make any direct production investments in the aluminum industry of the Russian Federation because of the fact that property in that sphere is concentrated, according to him, in the hands of "traders with a questionable reputation," and they are interested only in their own profit "extracted at any price." Mr. Van Hutte stressed that "it is disadvantageous for Canadian companies to deal with shady owners of the plants."

Furthermore, according to the president of the Association of the Aluminum Industry of Canada, it is politically incorrect for foreign firms to engage in "tolling" in Russia at the present time since that takes the aluminum branch from under the control of the country's leadership. At the same time it is specifically the actual current owners of that branch in Russia, as viewed by Mr. Van Hutte, who have "broken" the world alumina and aluminum market by dumping exports and purchasing raw material at "zigzagging" prices.

At the same time domestic and foreign economic possibilities of the alumina-aluminum complex of Russia are not that favorable and limitless. Therefore implementation of a long-term government program for development of the aluminum industry, combined with intensification of control by the government over all of its spheres, constitutes one of the most pressing tasks in present-day Russian economy.

As far as the murders are concerned, we hope that the competent organs will uncover their secrets.

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National Affairs

Lviv Attitudes Toward Kuchma Measured

954K0668A Kiev MOLOD UKRAYINY in Ukrainian 8 Aug 95 p 1

[Article by Lyubomyr Skochylyas, the Heneza Politological Center, under the rubric "Hello, This Is Lviv!": "Galicia Loves President Kuchma, But in Different Ways and Up To a Point"]

[FBIS Translated Text] Improving relations with the Galician political establishment was one of Leonid Kuchma's first tasks after he was elected president of Ukraine in July of last year. And he was able to resolve this matter successfully. From the very first days of the presidency of L. Kuchma, the two sides steadily began drawing closer together. And if sociological surveys are to be believed, Galicians now trust L. Kuchma more than do the residents of any other region of Ukraine. Two epochal events this summer in the political life of Ukraine — the signing of the Constitutional Agreement and the formation of the new government — provide new material for analyzing this question.

To begin with, it should be noted that when considering this question today, it is necessary to draw a clear distinction between two levels. The first entails the relations between the local authorities in Galicia and the presidential branch, and the second involves the attitudes of Galician political organizations towards President Kuchma.

Discussing the fundamental principles governing the formation of the hierarchy of the executive branch, which are established by the Constitutional Agreement, Mykola Horyn, the head of the Lviv Oblast Council, expressed his approval of them. According to these principles, the head of the oblast council is appointed by the president's representative in the oblast, into whose jurisdiction are transferred almost all the powers of the oblast Council. The only powers left to the council are to approve the budget and the plan for the socioeconomic development [of the oblast] and to supervise their execution. Thus, Mykola Horyn's support of the president in this matter is quite natural.

On the other hand, the political parties of Lviv Oblast either refrained from making any statements, or expressed rather restrained, at times even critical, reactions to the Constitutional Agreement.

The reverse happened with respect to the formation of the new Cabinet of Ministers. The oblast leadership refrained from any comments. This is explained by the current position of Mykola Horyn, who believes that the oblast authorities are not a political body and therefore their job is not to argue with the central government, but to work constructively with it.

In contrast, the region's political parties were rather critical both of the approach taken to forming the new government and of its composition. In particular, Oleh Pavlyshyn, the head of the Lviv organization of the Ukrainian Republican Party [URP], describes the manner in which the new government was formed as "...insignificant cosmetic surgery on the face of the Cabinet of Ministers, which cannot affect the general appearance of the government and the steps that it is capable of taking. For that reason, the URP reasserts its opposition to the communized Supreme Council, as well as to the so-called new government." The same opinion regarding the formation of the new Cabinet of Ministers is expressed by Ivan Hubka, the leader of the Lviv organization of the Congress of Ukrainian Nationalists [KUN]. In his view, what took place in the government was a reshuffling of "wax figures." Petro Sichko, the acting head of the Ukrainian Christian Democrats in Lviv Oblast, is also critical of the new government, even though he focuses attention on a different aspect. He feels that the current government is still not the government that is needed, because there are still no patriots in it. Even Rukh, which is still regarded as the most pro-presidential political force, expressed in the person of Vyacheslav Chornovil a restrained pessimism regarding the reformist orientation of the new government.

The formation of the new Cabinet of Ministers became one of those rare instances in which the positions of both the right and left in Lviv Oblast in large measure coincide. Like the rightists, Yevhen Talipov, the first secretary of the Lviv City Committee of the Socialist Party of Ukraine [SPU], also voiced criticism of the new government.

This interesting unanimity between the right and left in the region is also observed in the disapproval of individual members of the new government. As we know, Rukh had a whole series of objections to the appointment of Valeriy Shmarov as minister of defense. Rukh was supported by Lviv Oblast's KUN members. As it turns out, Lviv's Socialists are of a similar opinion, believing that Shmarov, who is not a professional soldier, produces an allergic reaction among the army leadership.

Thus, the described situation clearly reveals rather different attitudes to the president on the part of the Lviv authorities on the one hand, and of the local political parties on the other. This unquestionably will lead to the further alienation of the oblast authorities from local political parties.

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In turn, the opposition of the Galician political parties to the president, which has remained despite a rather dynamic tendency towards drawing closer together, can be explained by the fact that this rapprochement has gone as far as it could and there is no more potential for consensus. For both Leonid Kuchma and the Galician political establishment further concessions would require renouncing the fundamental postulates of their own political doctrines. And this makes very doubtful the further levelling of opposition to the presidential branch of power from Galicia's political circles. However, we can assert with absolute certainty that the incident, if one can call it that, involving the burial of Patriarch Volodymyr of the Ukrainian Orthodox Church — Kiev Patriarchate will markedly strengthen this opposition.

*Discrimination Against Non-State TV Companies Denied

954K0667A Kiev UKRAYINA MOLODA in Ukrainian 4 Aug 95 p 6

[Interview with Viktor Petrenko, head of the National Council on Television and Radio Broadcasting, by Andriy Sek; place and date not given: "Viktor Petrenko: 'We Will Return Another Time to the Accusation That the National Council Discriminates Against Non-State Television Companies' "]

[FBIS Translated Text] **For nearly half a year, the National Council on Television and Radio Broadcasting went about its work at a calm and measured pace, and then suddenly — an "explosion." Not a day goes by without some report appearing about it in the mass media. Everybody wants to know what questions the National Council is considering and what decisions it is adopting. And why not? After all, its decisions decide the fate of every television company — in other words, they determine what we will see on our blue screens.**

Thus, my colocutor is Viktor Petrenko, the head of the council.

[Sek] Viktor Mykhaylovych, would you please begin by describing for us the principal tasks of the National Council on Television and Radio Broadcasting.

[Petrenko] The National Council is an extradepartmental state body that was created to ensure the implementation of the Law on Television and Radio Broadcasting in Ukraine, as well as other legislation governing this sphere. What does this involve? To begin with, to be absolutely accurate in legal terms, this means coordinating the drawing up of the conception of the development of television and radio broadcasting in Ukraine and organizing the implementation of this conception. Unfortunately, thus far there is no conception spelling out how many television or radio channels [as published] there should be in the country, how many national and how many regional channels there should be, etc. Such a document needs to be worked out, and I can assure you that work towards this end has already begun. Special commissions that include people from the world of academe and from the world of art [ucheni i mystetstvoznavtsi] have held several meetings. The next task is to issue operating licenses to television and radio stations. At present, many television and radio companies work under old permits, while the absolute majority operate without any permits whatsoever. The National Council has to reregister all existing television and radio companies, register new radio and television organizations, and issue each of them a license to broadcast on a given channel. Then, based on the parameters specified in the license, we must oversee that they fulfill their obligations.

[Sek] But in order to ensure more or less rudimentary supervision, you need qualified experts to monitor what is being broadcast.

[Petrenko] We have our own representatives in all the oblasts of Ukraine, and in some regions, where many television and radio organizations operate — Odessa, Kharkiv, Lviv, Dnipropetrovsk —we even have two representatives.

Another important element is controlling the rational utilization of frequency resources. In other words, it is necessary to review and determine how appropriately television channels and radio frequencies are being used. There needs to be control over foreign investments in the sphere of television and radio. It is no secret that Ostankino, the Voice of America, BBC Radio, and others broadcasting in Ukraine are violating our acting legislation. This problem also needs to be regulated.

[Sek] Going back to the fate of Public Russian Television [PRT], please tell us, can any decision by the National Council on Television and Radio Broadcasting have an effect on the activity of this television company?

[Petrenko] In principle, every decision or decree of the National Council is binding on all television and radio organizations broadcasting in Ukraine's television and radio space. Naturally, if someone regards that some decision is incorrect, this decision can be appealed in court. It is quite another matter that it is not the National Council's goal to eliminate completely the broadcasting of programs by Public Russian Television on the territory of Ukraine. You are perfectly aware that today's generation of our citizens has grown up with many popular Ostankino programs, and to deprive them

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of the opportunity to watch Russian programs would probably be wrong. But the law must also be obeyed. I have in mind the fact that the Law on Television and Radio Broadcasting contains a provision requiring a ratio of 50:50. That is, every channel must carry 50 percent of programs produced in Ukraine, whereas the Ostankino channel airs programs that are obviously not of Ukrainian origin. The point is to leave PRT's most popular programs on the air, but on the whole to supplement the channel with programs created in Ukraine. There are several ways to do this. One option is to create a television and radio company to take on the task of supplementing or substituting these 50 percent.

[Sek] Will this be a state television company?

[Petrenko] This is not a matter of principle. What is needed is someone who is willing to invest the necessary funds.

[Sek] Are there people who want to take this on?

[Petrenko] We were receiving requests for information regarding this matter as long as the advertisement was running on the Ostankino channel...

Another option is to maintain the broadcasting of Ostankino programs in certain regions based on viewer interests. An experiment is currently under way in Lviv. There, local television programs are broadcast over the Ostankino channel. At first, the Lvivites blocked all broadcasts wholesale with their own programs without any kind of analysis, but today they are taking into account the suggestions of viewers, experts, etc. There is similar experience in Zaporizhzhya. There, they have rejected radio relay lines altogether and are receiving PRT programs directly from the satellite. With the support of the local authorities and on the initiative of the local television company, it became possible to watch Ostankino programs during the daytime, when Ostankino programs are not aired in most oblasts.

There is also the option under which broadcasting is conducted in accordance with an interstate agreement: we broadcast Russian programs here, and they broadcast Ukrainian programs in those regions where Ukrainians live in compact groups. I believe that we will find an optimum solution in the near future.

[Sek] Viktor Mykhaylovych, what sanctions will be applied to those who violate the law in the sphere of television or radio broadcasting?

[Petrenko] We will issue warnings, impose fines for significant violations, and ultimately take away their licenses. I do not think that there will be political violations — calls to war, propaganda of force, and pornography. At present, the main violations involve noncompliance with the requirements regarding concomitant copyrights [avtorski sumizhni prava] and noncompliance with the provision concerning the 50:50 ratio. Once we set things in order in that sphere, we will go further — we will require that technical quality be high, that television and radio organizations comply more strictly with the Law on languages, advertising, etc.

[Sek] Viktor Mykhaylovych, many commentaries have recently appeared in the press and on television regarding the adoption by the National Council of a decision regarding Channel 30.

[Petrenko] I think that this is simply an advertising campaign waged by the TV Tabachuk studio.

[Sek] What will TET [no expansion given] gain by this?

[Petrenko] Nothing. Most likely, the reverse will happen. Their popularity today is such that they can maintain what they have achieved only if they refrain from taking imprudent steps. Whereas they have ventured to compare their present situation with last year's closing of Gravis TV. The attempt to portray themselves in the role of the same kind of champion of democracy as Gravis can have a negative result. First of all, because Gravis was prohibited from broadcasting altogether, whereas no one has even placed any restrictions on TET. Secondly, it was TET that last year could not resist the temptation to provide a forum for those who sanctioned the "closing" of Gravis. The legalization of documents that confirm its participation in the campaign directed against Gravis will hardly enhance the prestige of TET.

[Sek] Viktor Mykhaylovych, what is your reaction to the statement of the Ukrainian Television Union, which claims that the National Council on Television and Radio Broadcasting pursues a policy of discrimination against non-state television companies and is engaging in dubious commercial activity.

[Petrenko] Concerning the statement of the UTU, I would like to say that the charges levelled against the National Council that we have resorted to discriminatory measures with respect to non-state television are completely groundless. We have not adopted a single decision that harms the interests of non-state television and radio companies. And as far as any sort of support of state television and radio organizations is concerned, to date we have considered only one such application and issued one license — to the National Radio Company. On the other hand, by now, we have considered several dozen applications from non-state television and radio companies. To be sure, a final decision has not been made in all cases. Thus far, not a single television and radio company's interests have been infringed upon.

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As to the claim that the National Council is engaged in some sort of commercial activity, there has been no such activity — dubious or otherwise. The National Council is not authorized to engage in such activity, and there is no provision for it in the Statute on the National Council. This can be verified through our bank account...

This is an absolutely erroneous and groundless accusation, to which we may return another time.

***Crimea Criminal Infighting Detailed**

954F3063A Moscow KOMSOMOLSKAYA PRAVDA in Russian 10 Aug 95 p 2

[Article by Eduard Dolya and Olga Musafirova: "The Crimea Is a Good Place for a Vacation, Of Course, Except That There Is Gunfire in the Air There"]

[FBIS Translated Text] In Yalta now there are three things people are realistically afraid of—the local sewage system, the cemetery, and cholera. The sewage system, because it is so old and may burst at any moment as happened in Kharkov, the cemetery because it may "slide away" due to landslides, and the "specter of cholera" because it may wipe out the population of the Crimea. But then the attitude toward the gunfire and explosions which periodically resound in the environs is fairly calm. There is even the opinion that "gangsters" are clarifying relations among themselves without affecting the local population and certainly not those vacationing.

"The informal organizations have changed here: they are beginning to invest money in the food industry and trade," noted Sergey Brayko, the acting first deputy chairman of the Yalta Gorispolkom almost proudly. (The word "informals" instead of "gangsters" on the lips of Sergey Borisovich, who plans to run for mayor, sounded a note of the new thinking.) Brayko, the supervisor of trade, public catering, and local industry, basically of the processing and wine-making sector, has not personally experienced any pressure from the above-mentioned category of citizens. Although from the directors of plants he knows that the "informals" hold production in their hands. They supervise the deliveries of output and calculate turnover and profit exactly.

It is strange, but there are no "crime bosses" in the Crimea. The most realistic candidate for this title was "removed" in late 1993.

From the KP [KOMSOMOLSKAYA PRAVDA] Files

Aleksandr Tkachev, nicknamed Sakhan, was one of the most influential "authorities" [crime bosses] on the peninsula. He managed to create a powerful criminal grouping which specialists estimate included about 150 people and to seize control of, in addition to the Crimea, part of Rostov Oblast and the Northern Caucasus. He was killed on the second attempt at Psychoneurological Hospital No 1 in the city of Simferopol a few days before his discharge.

Tkachev began to "get big" in the mid-1980s. But it was right at that time that the peninsula's four largest groupings began to grow really strong. Not one of them needed Sakhan alive. And he was shot in broad daylight in the nuthouse's courtyard.

People in the Directorate for the Fight Against Organized Crime of the Ministry of Internal Affairs [MVD] of the Crimea guessed who was responsible for Sakhan's murder. And even then they had a very clear idea which of the groupings would become the strongest in the immediate future. (To the credit of the analysts of the "Sixth Directorate," things turned out that way.)

The division of spheres of influence could be considered to be complete in November 1993. It just had to be consolidated. And so at a "great assembly" it was decided that no matter who became president of the Crimea in 3 months, the "status-quo" should remain unchanged.

Yuriy Meshkov turned out to be president of the peninsula.

Former soldiers in conventional green socks, middle-level entrepreneurs in silk ties, long-haired comrades from the deputy hunger strikes, and short-haired fellows in athletic suits appeared in his "shaggy" circle. It was quite difficult to discern among them the ones who financed Meshkov's coming to power. But soon people here began to say that an appreciable part of this money might have a Cypriot "passport." For one, the president began ardently propagating the "Cypriot model" of development for the Crimea. And secondly, it was precisely to Nicosia that he made his first real foreign visit, after Moscow. (Incidentally, no one in the Crimea remembers the peninsula's proximity to Cyprus since he left the political podium.)

It appears that such an unexpected change in orientation of the Crimea in no way suited the interests of local underground capitalists. And the closeness to Meshkov of people who for one reason or another were being watched by the law enforcement organs had not yet been put together. The president's assistant, Vitaliy Gavrilenko, for example. When the criminal investigation administration picked him up, Yu. A. [Meshkov] "gave up" a man from his own team: there was no such assistant in the president's administration. But after Meshkov's victory in the first round of the presiden-

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tial election, Yuriy Aleksandrovich gave an interview to KOMSOMOLKA [KP] at the Black Sea Fleet headquarters in Sevastopol, and it was Gavrilenko whom he presented as his assistant. It is possible Gavrilenko was never listed in the administration, but he was next to Meshkov. And this closeness, considering Mr. Gavrilenko's reputation, did not speak well for the president of the Crimea.

The Crimean Orthodox eparchy was supposed to speak well for the president. But there are various rumors going around about Father Lazar here. People say, for example, that in addition to all the parishes, he controls several gas stations in Simferopol. And his presence at congresses of the Christian Liberal Party of the Crimea [KhLPK] is a fact. And it is also a fact that only a blind man could fail to see that most members of the KhLPK were outright killers.

The KhLPK appeared in the Crimea's political arena in the spring of 1994, announcing itself with almost military organization and ambitions. "We will bring order to the Crimea," was what the party apparatchiks said at the first congress of the KhLPK in Yalta. They sought a leader for the party for a long time, offering the post to fairly well-known people in the Crimea. They refused. And then Yevgeniy Podanev was elected head of the KhLPK.

From the KP Files

Yevgeniy Podanev was the first person in the USSR to hold a "black belt" in karate. He was known in the Crimea as a prosperous underground capitalist. Podanev's people "held" Sevastopol. He was killed by a bullet in the head at the wake of one of the most influential crime bosses on the peninsula, Viktor Bashmakov.

War was declared against those who infringed on the party's criminal-political leadership. Mikhail Korkelava, who headed the KhLPK after Podanev, was killed by a bullet in the back of the head in the bar of the Tavria tourist center 40 days after Bashmakov had been shot.

From the KP Files

Mikhail Korkelava was president of the AO [joint stock company] Yug and owner of the scandalously well-known ship Modul; 600 tonnes of automatic weapon cartridges lay on board it in the Yevpatoriya roadstead for several months in a row. He had a reputation as a patron, a pretty good graphic artist, and an "authoritative entrepreneur" in the criminal structures.

When, after Korkelava's murder, a third leader of the KhLPK was shot, it became clear that it was mortally dangerous not only to head the party but even to be a member. And the KhLPK announced that it was disbanding.

At the same time as the main "brigades" were consolidating their spheres of influence, the "most desperate elements" of the Crimean-Tatar grouping were being recruited. According to estimates of the analytical department of the Sixth Directorate of the Main Administration of the Ukrainian MVD, it is not so large as the two "international" brigades which as of today are most powerful, but it is much more organized and so has a real claim to its role in the Crimean shadow economy.

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But even so gangsterism will most likely be ended in the Crimea, by the gangsters themselves. Those who are tired of applying irons to competitors' bodies and arriving with machine guns ready to attack the "fatheads." These people are already investing money in the state's economy, and a considerable amount of it. And so they need stability.

You may wrinkle your nose at this idea, indignant when the brainy treasurers of the gangster "brotherhoods" become bankers. You may leave for a different country, contemptuous of a country which allows this. You will very likely be unable to find one where the period of initial accumulation of capital has ended differently.

The analysts of the Sixth Directorate of the MVD will offer you at least five possibilities for the development of the situation in the Crimea. Which one the peninsula chooses will depend on the political situation surrounding it. But you will probably actually choose the "unpopular" one. The lesser of all evils is always chosen. Especially since nothing has changed for the better in this Sixth Directorate: neither the state's criminal legislation nor the material support of the directorate. They must use Zhiguli's to chase the powerful BMW's which the gangsters prefer to drive. And the analysts' office still has only seven desks in 15 square meters and one telephone among them. That being the case, somehow we do not feel like condemning the militsia because many of its associates also believe that no one can fight gangsterism better than the gangsters themselves.

By the Way [editorial comment]

Several days ago the MVD Berkut special forces "turned upside down" 975 possible crime sites and 380 criminal dens and checked 175 hotels and dormitories in the Crimea. It has been a long time since people here could remember such massive operations to arrest criminally dangerous persons. There were 28 gangsters taken into custody during this "act of retribution." There were 17

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weapons, 600 cartridges, half a kilogram of explosives, and one-third of a quintal of narcotics confiscated during the search. Along the way they "mowed down" 1,500 home-grown marijuana plants. Major crime bosses did not suffer.

Economic Issues

Wage Agreement Seen Only Symbolic

954K0665A Kiev MOLOD UKRAYINY in Ukrainian 8 Aug 95 p 1

[Article by Volodymyr Oliynyk: "We Have an Agreement. All We Need To Do Is Find the Money..."]

[FBIS Translated Text] **On 4 August, the nearly nine-months-long negotiations between the government of Ukraine and he trade union associations ended, and a general wage agreement was signed. But it hardly be said that a compromise was reached between the trade unions and the Cabinet of Ministers of Ukraine. This is attested by a number of both subjective and objective factors and circumstances...**

The fact that the long-awaited social peace in Ukraine is still very far off was confirmed by Prime Minister Yevhen Marchuk, who on 4 August signed a General Wage Agreement. He complained that the negotiations process with the trade unions had taken too long and that it is difficult to count on there being no conflicts in relations with the trade unions in the future. Indeed, we can safely assure the esteemed prime minister that it is not a matter of the future, but of the very next few months. Let us say, by the end of the summer or at the beginning of the fall.

After all, the agreement was not signed by the representatives of the Free Trade Unions of Ukraine, which includes the flight personnel trade union, and the Independent Trade Union of Miners is still studying the document. It should be remembered that the miners still hold a grudge against the prime minister and the president, who, to put it mildly, did not keep their word: they paid the miners their wages up to the end of May — beginning of June. Considering that the Federation of Trade Unions of Ukraine [FPU], headed by People's Deputy Olcksandr Stoyan, who signed the general agreement on behalf of the trade unions, has no influence among miners, one can speak only of a partial compromise between the government and a portion of Ukraine's trade unions.

This assumption is also confirmed by the declaration of the council of representatives of labor collectives of Kiev, which — and this is symbolic — held its regular meeting on 4 August in connection with preparations for the Day of Joint Actions of the Workers of Ukraine. Despite the fact that behind these representatives of labor collectives stand Communist-Socialist ideologues, the council's influence on the sentiments and emotions of workers is identical, if not greater, than that of the FPU — the principal participant in the General Wage Agreement. And the representatives of Kiev's labor collectives are demanding no less and no more (and they wrote this in their pamphlet) than: "the setting of affordable prices of goods, housing, and public utilities; the restoration of workers' control at enterprises, the restoration of guaranteed social rights to workers, the abolishment of intermediary commercial structures, the implementation of currency reform of a compensatory nature with respect to the parasitical strata of society, and the return of stolen monetary investments in Ukraine from foreign banks."

Among other things, the general agreement provides for preparing a change in the third quarter of the current year in acting legislation with respect to regulating the problem of partial unemployment, that is, providing a social safety net for those who have not yet been discharged but who have not been receiving wages for a long time. The agreement also speaks of paying off outstanding wages in the budgetary sectors. What is more, it was agreed that the government and the trade unions would jointly submit amendments for consideration by the Supreme Council of Ukraine with respect to the maintenance of the budgetary sectors.

There is no need to go through the content of other social declarations reflected in this agreement, because just those we have described cast doubt on the value of the signed document. And for a very prosaic reason. And that is: where is the money to come from?! Indeed, where? Even if the government is able to answer this question, if only tentatively, others immediately arise: when and how? And it is virtually impossible to give an answer to these questions. As Deputy Finance Minister Volodymyr Matviychuk remarked before the start of the summer recess, there are ways to replenish the budget without resorting to emission. But there is no time and ability to realize all this realistically, and the amounts of obtained funds clearly lag behind what is needed. Real life has confirmed his words. Despite their prestrike status and assurances from highly placed officials, teachers of higher and secondary schools went on summer leave without their promised wages..

Will the same not happen in this instance, given that parliament will not return to the fourth session until 5 September, and making all the necessary budget innovations to guarantee the general wage agreement is risky without the knowledge of the Supreme Council. Although it is possible to do, of course, by citing the criterion of revolutionary-crisis necessity as justification

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for such action. Only who will be bold enough to take this step on the eve of introducing the hryvnya?

And so it turns out that the fact that the General Wage Agreement has been signed by the government and the trade union associations is rather a symbolic compromise, which does not attest to real concessions by one side and gains by the other, but, rather, to the possibility of achieving such a compromise in the near future. When there is a real threat of the situation getting out of control.

Socio-Economic Statistics Jan-June 1995

954K0666A Kiev URYADOVYY KURYER in Ukrainian 8 Aug 95 p 5

[Report from the Ministry of Statistics: "The Socioeconomic Situation in Ukraine in the First Half of1995"]

[FBIS Translated Text] (Ukrinform) — The volume of gross domestic product fell 11.4 percent in the first half of this year as compared with a drop of 29.2 percent in the first half of 1994. The rates of industrial production decline have slowed somewhat, and a tendency towards lower rates of inflation has become evident. At the same time, the industrial production growth achieved in February and March could not be maintained during subsequent months. Losses in agriculture remain perceptible. Positive impulses in investment activity are virtually nonexistent.

The processes of crisis in the economy have had a negative effect on the living standard of the population. The criminogenic situation in society remains complicated.

The volume of industrial production fell 13.6 percent as against the first half of last year. More than two-thirds of enterprises in the principal sectors have cut production. The greatest drops occurred at enterprises in Ternopil, Khmelnytskyy, Luhansk, Zakarpattya, Kirovohrad, and Lviv oblasts, and the Autonomous Republic of Crimea.

The gross output by agricultural producers was eight percent lower than in the first half of last year, with farms in the social sector producing 17 percent less.

The situation in livestock husbandry remains even more difficult. Despite the fact that the number of head of livestock and poultry in the private sector is growing and more livestock products are being produced, it has not been possible to halt the decline that is evident at collective and interfarm enterprises and at state farms. On 1 July, there were 20 million head of cattle on farms in all categories, or 10 percent fewer than on the same date in 1994.

The process of destatization of enterprise property is continuing in industry. The proportion of state-owned enterprises in the total number of enterprises has dropped from 50.8 percent in the first quarter to 49 percent in the first half-year. Their share in the total volume of industrial output fell from 62.1 to 59.5 percent.

In the first half of the year, enterprises in the nonstate sector produced 40.5 percent of the total output volume as against 37.9 percent in the first quarter.

Counting bankruptcies, the number of private farms increased in the first half of the year by 1,763 and on 1 July numbered 33,700. They utilize 757,000 hectares of agricultural lands, including 692,000 hectares of plowed fields.

The process of privatizing the state housing fund is continuing, even though the pace has slowed substantially. Private citizens have privatized 310,500 apartments and single-family houses measuring a total living space of 15.4 million square meters, which is 43 percent less than in the first half of 1994. Ownership of the overwhelming majority of apartments and houses (285,400 — 92 percent) has been transferred to private citizens free of charge and with compensation in the form of housing vouchers for insufficient living space.

Since privatization of the state housing fund began (in January 1993), 2.1 million apartments measuring a total of 103.1 million square meters of living space have passed into private ownership.

In January-May, Ukraine's enterprises and organizations engaged in external trade operations with 120 countries. External trade turnover in the first five months of 1995 amounted to $7,434.4 million (94 percent of the turnover during the corresponding period in 1994), of which exports accounted for $3,607.5 million (97.8 percent) and imports, for $3,826.9 million (90.6 percent). The negative account balance ($219.4 million) resulted primarily because of the import of energy sources from countries of the former USSR.

The share of exports to CIS countries is 45 percent and of imports, 65.8 percent of the total volumes.

The principal trade partners of Ukraine are the Russian Federation (trade turnover with Russia accounts for 46 percent of the total external trade turnover), Turkmenistan and Germany (4.6 percent each), the United States (3.8 percent), Belarus and Switzerland (2.8 percent each), China and Ireland (2 percent each), Austria, Great Britain, Poland, and Italy (more than 1.5 percent).

The state budget of Ukraine had a deficit of 127 trillion karbovantsi.

Personal monetary income totalled 838.2 trillion karbovantsi, exceeding spending by 95.5 trillion karbovantsi.

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Average per capita monthly income in the first half of 1995 amounted to 2,936,000 karbovantsi, which is a 2.5-fold increase over the second half of 1994; monetary expenditures — 2,748,000 karbovantsi, or 2.4-fold higher. During this period, spending on food in the family budget increased 2.5-fold, on nonfood consumer items — twofold, and on services — 3.6-fold.

The wages of blue- and white-collar workers increased 2.1-fold in the first half of the year as against 1.3-fold during the first half of 1994 and averaged 5.4 million karbovantsi per month, or sixfold more than in the first half of 1994 and 2.6-fold more than in the second half of 1994.

The average monthly wage of employees of collective agricultural enterprises amounted to 2.1 million karbovantsi, or 4.7-fold more than in the first half of last year.

During the first half of the year, the prices of goods and services in the consumer market rose 84.9 percent as against 6[illegible].4 percent during the corresponding period of last year. The prices of agricultural products sold by procurement organizations and processing enterprises increased sixfold as against the first half of last year.

The unemployment level for the country as a whole remained almost unchanged in the first half of the year and at the beginning of July measured 0.30 percent of the total able-bodied population of working age. The number of citizens with unemployed status increased from 82,800 (on 1 January) to 84,600 (on 1 July).

The process of a natural decrease in the population is continuing and has exceeded 160,000 persons. The death rate was 15.8 per 1,000 as against 15.2 per 1,000 in the first half of last year, while the birth rate fell and was 9.6 and 10.1 births per 1,000, respectively.

The epidemic situation has grown worse as compared with the first half of last year with respect to such diseases as diphtheria, typhoid fever, syphilis, acute intestinal infections, leptospirosis, viral hepatitis, scabies, active tuberculosis of respiratory organs, etc. More than 200 cases of cholera were registered following an outbreak of the disease in Mykolayiv and Kherson oblasts.

The population of Ukraine as of 1 July 1995 (according to estimates) was 51.5 million.

As a result of the decline of indutrial production, there was a continued decrease of harmful emissions into the atmosphere from permanently installed sources of pollution. Compared with the corresponding period last year, these emissions decreased by 207,000 metric tons and amounted to nearly three million metric tons. An increase in emissions occurred in Donetsk (68,500 metric tons), Ivano-Frankivsk (22,800 metric tons), Vinnytsya (11,800 metric tons), Kiev (6,800 metric tons), and Khmelnytskyy (800 metric tons) oblasts and at the Derzhvuhleprom of Ukraine (37,000 metric tons).

The crime rate continued to rise. As of 1 July, 315,000 cases of crimes were registered (according to data furnished by the Ministry of Internal Affairs), which constituted a 10.4-percent increase over the second half of last year.

The proportion of crimes of a mercenary nature remains high. Almost two-thirds of all reported crimes involve property — theft, burglary, robbery, fraud, theft of state or collective property through misappropriation, embezzlement, or abuse of office.

Poor Resource Use Primary Inflation Factor

954K0664A Kiev URYADOVYY KURYER in Ukrainian 3 Aug 95 p 4

[Article by Viktor Kalnyk, URYADOVYY KURYER expert, Deputy Minister of the Economy: "Why Are Prices Rising Over the Top of the Scale?"]

[FBIS Translated Text] **During June and July, at the request of the government, experts at the Ministry of the Economy studied the mechanism of price formation in various sectors of the national economy and analyzed the effect of internal production factors on the dynamics of prices.**

According to the Ministry of the Economy, for the most part enterprises do not solve their financial problems by lowering their production costs, but, instead, they transfer to prices their unproductive expenditures, arising from the underuse of production capacities, an excessively large work force, and general production outlays.

It is absurd for the heads of individual enterprises to lay the principal blame for the rising prices of their products on the uncontrolled rise in the cost of raw materials and energy resources. The numbers tell a different story. Thus, today the average cost of electric power in Ukraine for use in production is half that paid in EC countries, 16-20 percent lower than the cost of oil products and gas, and 10 percent lower than the cost of coal. The rates for shipping freight by rail in our country are only 25.8 percent of the single transport rate applied in these countries and 2.4-fold lower than in Russia. And if we take into consideration the much lower wage level and the lack of outlays for the restoration of production, the question arises: why has the cost of certain products surpassed the world level?

For example, according to data furnished by the Ministry of the Economy, the prices of the majority of the Kryvorizhstal Combine's products are 10-30 percent higher than world prices. But what else could one

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expect in light of the fact that last year, as compared with 1990, the combine decreased production volumes 54.8 percent, while cutting production personnel only 6.3 percent? At the same time, the resource consumption rates at the combine rose substantially. For example, the expenditure of fuel (skip coke, coke siftings) in the production of cast iron has risen 27.7 percent and in the production of rolled metal — 3-10 percent. The actual electric power consumption rates tripled at the No. 1 blast-furnace plant and rose 35 percent at the No. 2 blast-furnace plant.

At the Kremenchuk Automobile Plant in May of this year as against December 1994, the average cost of a motor vehicle increased 74 percent. At the same time, material outlays (raw materials, supplies, component parts, fuel, and electric power) rose 69 percent, while overhead expenses increased 84 percent, wages — 125 percent, and profits — by the same amount. Meanwhile, the output of motor vehicles this year fell nearly twofold. This same phenomenon can be observed at other enterprises as well.

As the results of audits indicate, the sectorial ministries are not devoting adequate attention to these problems. In some cases, instead of implementing an active policy of structural and economic reform of their sector, they look for excuses for their lack of action, claiming that the difficult financial situation is the result of uncontrolled prices, the lack of state support, and the "supremacy" of banks.

It is felt at the Ministry of the Economy that the Ministry of Agriculture and Food has assumed this kind of position of active pressure on the government regarding the allotment of budget funds. The problem of supporting agriculture has priority status, but the ministry must also direct its efforts at those problems, the solution of which depends on it. Responsible leaders of this sector and of agricultural enterprises at all levels often cite the unprofitability of livestock husbandry, insisting on the need to return to state subsidizing of this branch. Whereas they really do have something to think about: why is it that although the productivity of our livestock husbandry is three to four times lower than in other countries, the expenditure of feed per unit of growth is two to three times higher? Nor are the questions of structural changes, reform of ownership, and the demonopolization of structures that service agriculture being resolved in this sector. The Ministry of Agriculture and Food is constantly complaining of a shortage of funds and about price disparity. However, just in the first half of this year, due to a failure to fulfill all the requirements in the Decree of the President of Ukraine "On Compensating Agricultural Producers for Losses Caused by Inflation on Goods Sold in 1994 Under the State Contract," this sector received only 16 percent of the anticipated total amount of the supplementary valuation of grain and13 percent of the supplementary valuation of sunflowers. As a result, the sector in effect lost the opportunity to receive nonemission funds for conducting spring field work, which may put pressure on the prices of agricultural products from the new harvest.

According to audit data, the profits earned by enterprises are spent for the most part on wages rather than on production growth, which attests to the inefficient use of funds and to consumerist attitudes (the Khmelnytskyy Nuclear Electric Power Station, the Radykal VAT [Open Joint-Stock Company], the Brovary lastics Plant, the Sevastopol reinforced concrete products plant). It is felt at the Ministry of the Economy that the ministries should require of enterprises that every wage raise correspond to an increase in production volume and labor productivity. Maintaining such proportions must become one of the principal conditions in the contracts concluded with managers of enterprises, especially those whose prices and rates the state regulates.

Ministries should work to ensure the economic use of material resources. Statistics indicate that this year as against last year the share of material outlays in the production cost of industrial production rose from 71.5 to 80.7 percent. If these costs were decreased just one percent throughout industry as a whole, this would allow the industrial branches to increase profits four percent or earn an additional 13.2 percent in funds for wages without raising prices.

One of the goals in the work of ministries must be to direct the psychology of enterprise managers at overcoming expectations of inflation; because of this expectation, many managers try not only to raise prices, but also to halt the sale of products in the hope of avoiding losses caused by inflation. And this is one of the causes of nonpayments.

The Ministry of the Economy intends to create a mechanism for providing enterprises with clear guidelines for the future regarding the limits for the rise of prices and inflation, which will promote price stability and increase confidence in the national currency. Consequently, those who can and want to work will be able not only to restore, but also expand production and increase its effectiveness.

SBU Chief on Criminalization of Economy

954F3089A Moscow NEZAVISIMOST in Russian 9 Aug 95 p 3

[Interview, under the rubric "Topical Interview," with Colonel General Vladimir Ivanovich Radchenko, chair-

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man of the Security Service of Ukraine, conducted by Vasiliy Anisimov: "Chairman of the SBU Vladimir Radchenko: 'Autumn Promises A Great Deal of Anxiety'"; date and place not given]

[FBIS Translated Text] **As is well known, the almost year-long calm in Ukraine's sociopolitical life was shaken by the large-scale provocation organized by ex-president L. Kravchuk and the former metropolitan of the Orthodox Church Filaret on 18 July on St. Sophia Square on the day of the funeral of Patriarch of the UOC-KP ["UPTs-KP"—Ukrainian Orthodox Church-Kiev Patriarchy] Vladimir (Romanyuk). The long-time political opponents of the country's present leadership did a remarkable job of reminding people of their old claim that "Kuchma means instability." And they can create this instability at any time.**

Each of the participants in the provocation has already received his just reward: the unfrocked monk Filaret again found himself the center of a scandal and hence the "sofit's" [possibly followers of St. Sophia], which is the best possible publicity for him; the parliamentarians headed by L. Kravchuk, who cannot be found in the capital in the summer in a month of Sundays, suddenly appeared together at the right time and in the right place attesting to their active participation in Ukraine's political life; and the rebel fighters demonstrated fearlessness in the struggle against the police, while Kiev's mafia clans managed to remove General Poddubnyy from his post, although it was only temporary.

All together they showed the authorities how powerless the latter were. Even the state mass information media offered them air time and newspaper space for no less large-scale attacks on the president, which very rarely happened in former years. In turn the government, supposedly not having understood that a perfectly successful "dress rehearsal" had occurred and having "forgotten" that the people were without work and hot water and without hope for a well-fed, warm winter, engaged in deeply ideological "tricks" by shutting Ostankino [television station] down, provoking the already intense anger of the popular masses. Another round of speeches by the miners, trade unions, and so forth was not far off. In other words, preparations for testing the strength of the current administration are in full swing. Will it pass the test?

We decided to talk about this with the chairman of the Security Service of Ukraine [SBU], Colonel General Vladimir Radchenko.

[Anisimov] Vladimir Ivanovich, if we may, first let us talk about what is on everyone's lips. You are very likely one of the few influential state officials of Ukraine who has made no official statement regarding the events of 18 July on St. Sophia Square.

[Radchenko] Those were tragic events. Vladimir (Romanyuk) was not only the patriarch of the UOC-KP but also and above all a man. And I think that he deserved a better fate than the one prepared for him on 18 July. Moreover, a great deal of damage was done to Ukraine's image as one of the few young powers of Europe able to prevent violent acts on its territory.

[Anisimov] But certainly similar things happened in 1990 (the first bloody battle on St. Sophia Square) and in 1992 (the assault on the Lavra [monastery]) too. And we see the very same persons everywhere—radicals and the UNSO [Ukrainian People's Self Defense].

[Radchenko] Undoubtedly there were skirmishes. But we were doggedly moving toward a civilized resolution of the conflicts. Signs of tolerance and stability were noted even during the latest political holidays and the corresponding confrontation. But on 18 July the interchurch conflicts made themselves fully known.

[Anisimov] But why interchurch? The police beat up some UNSO members and Filaret supporters but blamed the UPTs [Ukrainian Orthodox Church] of Vladimir (Sabodan) for what happened! Are all the police really supporters of canonical Orthodoxy?

[Radchenko] The events on 18 July were to a certain extent the consequence of the schism of Orthodoxy in Ukraine. But St. Sophia in Kiev is a holy place to all Orthodox people. As for the police, they are a long way from interchurch feuds. And the Security Service is even further. After 1991, when even the very concept of the political investigation was eliminated, the appropriate directorate of the SBU began to be involved in the fight against terrorism, defense of territorial integrity, and other issues defined by law. It is absurd in present conditions to "creep" into church life.

[Anisimov] But certainly it is no secret that the so-called UOC-KP is a constant destabilizing factor in society. Patriarch Mstislav was buried in 1993 on the 10th day, after everything had been reconciled with the authorities, and his relatives conducted him down his final road without any excesses. But here the "horses were whipped up" as if they were trying to hide something. One grave was dug in the Baykovyy, the other (publications reported this) was dug on Vladimir Hill, and the patriarch himself talked about the Vydubetskiy Monastery, but he was taken to St. Sophia. It is perfectly obvious they were seeking confrontations and scandal.

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And what about the presence in the UOC-KP of rebel fighters who in fact are carrying it on their shoulders?

[Radchenko] There are many signs in UNSO activity which give grounds to assume that this is an illegal paramilitary formation. Everyone knows that the General Procurator of Ukraine sent the question of canceling the registration of the UNA-UNSO [Ukrainian National Assembly-Ukrainian National Self-Defense] to the court for review. From our viewpoint, there are the same signs in the "activity" of other radical formations of the most varied "hues." But we must deal with everyone only lawfully—through the court. Canceling registration and then bringing them to strict accountability when they violate laws. I want to emphasize that the SBU is not the KGB, which penetrated all pores of society, thereby violating civil rights and liberties. There are the functional duties of the Service which are defined by law, and we can work only within those limits. We have not received any assignments in relation to the UOC-KP and its finances from anyone at all. But if a lawmaker gives us this assignment, I assure you, the SBU will thoroughly study this problem, just as it would in relation to any other organization. At present we do not have any facts regarding unconstitutional activity by the UOC-KP.

[Anisimov] How about inciting interethnic and interfaith hostility, which is a violation of Article 66 of the Constitution? Can the speech by the Filaret supporters on St. Sophia Square and in the press really be seen any other way?

[Radchenko] Article 66 is not the jurisdiction of the SBU. The procurator's office must make its own decision here. A criminal case has been opened on the basis of the 18 July events. We are also going to wait for the results of the investigation concerning the circumstances of the death of Vladimir (Romanyuk), where not everything is clear, and concerning everything relating to the funeral. And only then will we draw any conclusions. I can give my own personal opinion. In my opinion, we were witnesses to a situation based on "revolutionary self-consciousness" rather than legality. I too do not understand what it was—a funeral or a triumphal parade under the banners of UNSO. Obviously they thereby wanted to demonstrate their strength and might (as they understand it themselves) and raise their prestige which is essential to them (they do not hide that either) in the struggle for power. On the other hand are the police actions. It is difficult to believe that the nerves of professionals could give out. How could they show such cruelty? I watched the fragments of the videotape carefully: in some cases the actions were proper (for example, when the priest hit the policeman in the face with a stick) while others were simply inexplicable.

[Anisimov] But, you must agree, in the current socioeconomic situation in the country, any such actions may set off major trouble...

[Radchenko] I sent a report with an analysis of the situation in the country to the president, the National Security Council, and the Coordinating Committee for the Fight Against Organized Crime. The report deals with criminalization. Having started in the economy, it has now spread to the entire machine of state, which represents a real threat to the country's security. Today organized crime has gotten so strong in some regions of the country, the Crimea among them, that it can cause socioeconomic difficulties and destabilize the sociopolitical situation. The merging of criminal groups with politicized structures is underway, and attempts are being made to create political parties and organizations consisting of those same criminal groupings. The bosses of the criminal world, having become legal economically, are looking for a chance to join the political elite. The attempt to create a Christian liberal party, which a well known crime boss headed in the Crimea itself, serves as an example of that.

[Anisimov] In other words, are we taking up the path of the formative stage of democracy in developed countries?

[Radchenko] At least their "cave man" period. The point is that the formative stage of the new political, administrative, and economic elite in our country, judging from everything, will be long and will be accompanied by the criminalization of a certain part of it. And the inconsistency and lack of the necessary party, social, and material base pushes it toward criminal methods of strengthening its position, especially given the redistribution of property and power. In turn the division of property among the clans which has begun right in front of the impoverished population creates political radicalism and extremism among that population.

I would mention several aspects of the criminalization of the official spheres of life. First, the finance and banking sphere. While criminals used to rely on machinations with credits (fictitious letters of advice and counterfeit checks) and also tried to pull the country into questionable operations like the sensational cases involving multimillion dollar foreign investments, now forged bank guarantees, various forms of false entrepreneurship, and large-scale failure to repay credits are widely used. According to our estimates, 40-50 percent of the financial capital is of shadow economy origin, which inevitably means it must have protection from the authorities. That is the reason for the criminal proceedings against the corporate crime groups and the corrupt officials who shield them (the State Committee for Oil and Gas, the

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state concern Ukragrotechservis [Ukrainian Agrotechnical Service], Damiana-Bank, the firms Aton, Blasko, Budservis, Ukrainskiy Dim, and so forth).

Secondly, ownership relations, where reform often amounts to the redistribution of control over state property, are being rapidly criminalized. This is especially typical of privatization. Incidentally, we have information on the intention of the leaders of an influential grouping from a neighboring country and crime bosses from Moldova, Odessa, and Nikolayeva to use figureheads to privatize sanatoriums and restaurants on the Southern Coast of the Crimea. Criminal activity by the leaders of the committee on affairs of municipal ownership and privatization of the Zaporozhye Gorispolkom, the municipal property fund of Lvov, and other organizations has also been discovered. The behavior of foreign firms in carrying out "large-scale privatization" is also noteworthy. We have information on the desire of some of them to take part in privatizing the most important objects of the economy in an effort to change their specialization and eliminate them as competitors on the world market. Many criminal cases have been opened on abuses on the securities market. Reports on a large number of joint stock companies are now being properly checked out.

Thirdly, economic relations are being criminalized. Crime figures are using them not only to accumulate capital rapidly (largely through the illegal export of metal output, energy media, and raw materials), but also to take it out of the country illegally. More than 400 enterprises of commercial structures which have violated normative enactments have been identified. More than 300 cases of illegal use of hard currency accounts in foreign banks and concealment of profits, hard currency earnings, assets, and deposits from taxes have been discovered.

Fourthly, a trend toward the criminal reform of the labor market is appearing. Today the shadow economy is the main source of income for 2.5 million citizens of Ukraine, and around 40 percent of the young people in large cities and border regions are employed in this sphere. Overt and hidden unemployment now embrace 3.4 million people, which also makes the crime-breeding situation more complex. Forced migration of the population is often accompanied by the formation of criminal groups, ones based on nationality too. This also complicates the situation. Today subdivisions of the Service are conducting hundreds of operational investigations, among them cases involving associates of the customs office, tax inspection offices, and state structures, managers of state enterprises, bankers, and businessmen.

The following data, for example, illustrate the range of criminalization in the country. According to official documents, the exports of Ukrainian enterprises in 1993 came to 2.7 billion dollars, but by their foreign partners' estimates—6.2 billion dollars. The difference, needless to say, was not returned to Ukraine and, as you can see, exceeds the amount of the stabilization fund needed to introduce the national currency many times over. According to operational figures, 2,500 hard currency accounts of Ukrainian citizens and entrepreneurs need prompt procedural processing from the standpoint of their legality.

As you can see, the fifth estate in Ukraine has gotten stronger. It has powerful finances and a medium for its constant reproduction. It has an interest in weakening the legitimate government and demoralizing it. And the shortest path to accomplishing that is to destabilize the situation in the country. And so I suggest that autumn promises a considerable amount of anxiety for us.

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Kazakhstan

Armed Forces Problems Begin To Surface

954F3078A Almaty KARAVAN in Russian 11 Aug 95 No 30, p 9

[Article by Sapa Mekebayev: "It Is Painful for Our Country To See What Is Happening with Our Army! Ten Soldiers Died of Hunger in the First Six Months of the Year Alone"]

[FBIS Translated Text] **Everyone everywhere is talking about the fact that something bad is going on with the army of sovereign Kazakhstan. This is indicated by the stories of compulsory service soldiers and their parents. Many officers also express dissatisfaction with the present condition of the Armed Forces. Not only servicemen who have retired or gone into the reserve, but also those still in the ranks of the army write frequently to the KARAVAN editorial office. Quite recently one of them decided to express his point of view about a problem that worries everyone. We realize that, possibly, by far not all of his thoughts will find understanding and support in military circles and that in some of his assessments our interlocutor is perhaps overly categorical. However, one other fact is also indisputable: These are the views of a real veteran who is genuinely living through the army's difficulties. As well as the fact that he is unquestionably competent in those questions that he is talking about out loud perhaps for the first time. For completely understandable reasons he asked to be presented to the readers in the following way: He is a retired field grade officer who has an advanced military education and many years of service experience in the regular army and in staff work.**

Do you know the current joke among officers? Turkmenistan has a totalitarian regime, Tajikistan and Uzbekistan have authoritarianism, and our country has presidential rule. This is in reference to the common nature of current problems, including in the Armed Forces.

I do not intend to judge what it is like in other countries, but in our country the situation with respect to the defense capability is hopelessly bad. I am not revealing any kind of military secret with this assertion. A report of one Russian information agency about what was going on in the Kazakhstan Armed Forces was printed in dozens of foreign newspapers. The fact that the situation is more than alarming is also confirmed by our honest-minded officers.

I believe a principal mistake to be the fact that we sharply weakened the defensive capability of the country by succumbing to the fascination of paper memorandums concerning security guarantees. Taking the lessons of history into account, any state that respects itself always maintains a well-equipped and trained combat-capable army.

Everything very likely began with the breakdown of the regular personnel system. Ecstatic over sovereignty, the military department proposed that officers serve for a minimum wage and allowances, with vague promises based on place of birth and the notorious "fifth line," and personal devotion. It was announced publicly: We will not hold anyone! But it was necessary to hold on to people, inasmuch as we are not overloaded with personnel! As a result, hundreds of worthy officers left our army.

According to my information, about 70 percent of all former officer personnel of the army were discharged in the last three years. And not only Russian-speakers, as some are claiming. For example, Colonel B., a Kazakh by nationality, a graduate of the General Staff Academy, now holds the position of a lieutenant general on the General Staff of the Russian Army, since a place was not found for him in our country. Because of this there is now a shortage of officers not only in military units, but also in the Ministry of Defense itself. In combat troop units, regular officer slots are filled by former reservists-students, or by former soldiers who are urgently promoted to the rank of "junior lieutenant."

It is in these troubled waters that some crafty military commanders are setting their nets. KARAVAN also has written more than once about the embezzlement of army property and arms. An example of this are the dealings of Colonel Nigay, former chief of the Finance and Budget Directorate of the Ministry of Defense, and Deputy Minister of Defense Sapsay. It was said in one of the speeches of the military procurator that property in the amount of 9 million tenge has been looted, but I think that sum was greatly lowered. Or take the case of Military Commissar Zhambylskiy's deputy who sold more than 100 military certificates of service on the side, for which the military tribunal gave him....a suspended term. Incidentally, it is no secret that many of our military commissars stay in their positions continuously for 10 years, which increases the possibility of abuse on their part.

Meanwhile, young fellows in the army become victims of violence and hunger. As was publicly declared by the military procurator, in the first six months of the year 40 servicemen perished, and 10 of them died of hunger and emaciation of the body. It is no wonder that soldiers flee their place of service.

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So, there is a shortage of officers in the Armed Forces, and the number of deserters is growing among soldiers, but general officers have flourished in splendid colors. There were only two generals in our army three years ago, and now there are more than two dozen.

Many officers, professional veterans like me, are inclined in conversations in their own circle to think that all our troubles are due to the unskilled leadership of our army. For a person who has absolutely lived his life properly and who did a lot for this army, but who has already passed 80 years of age, the burden of the leadership of a military department is beyond his strength. This was also talked about, incidentally, by Cosmonaut Tokhtar Aubakirov at a meeting of the former Supreme Soviet when the positions of the power ministers were being confirmed.

We, as military people, are accustomed to discipline and order, we ourselves were educated and we have educated our subordinates in a spirit of selfless dedication to the country and to the strict fulfillment of their duty to the people. It is doubly painful for us to see how our army, which was nourished by more than one generation of true patriots, is falling apart before our very eyes.

We would like to add the following to that was said at the beginning. The Ministry of Defense falls within the category of departments in which a very large volume of information that is of general interest is shrouded in the mystery of state and military secrets. Under conditions when neither the press nor the public knows the exact list of information that is not subject to publication, this department, and by the way some others as well, sometimes itself decides what you and I need to know and what we do not need to know. It is not difficult to guess that this faulty situation is used to protect strictly commonplace departmental interests, and even also personal interests, and to hide negative facts and occurrences from the public. Representatives of the Committee of Soldiers' Mothers repeatedly ran into such incidents when they tried to clarify the true state of affairs in units and learn the real reasons for the deaths or desertion of servicemen. Tatyana Sinkina, a former parliament deputy who is an active worker on the Committee of Soldiers' Mothers, talked about this to the author of this material. We ourselves became convinced of this while trying to check the facts that were published by our interlocutor. The duty officer at the ministry sent us to one directorate, and from there we were sent to another directorate.... Only in the Directorate of Education and Social Work were we told clearly that it was not possible to share such information (the question concerned the number of soldiers who had died from hunger).

In this connection, we think that the publication of this article should become the beginning of an open and principled discussion about the problems of our Armed Forces. We are confident that families are not indifferent to what is happening in the army, in which someone close has served, is serving, or will serve. We invite all interested parties to join the dialogue.

National Security Under New Constitution

954F3075A Almaty STOLICHNOYE OBOZRENIYE in Russian 10 Aug 95 p 4

[Article by Vladimir Neverov: "Draft Constitution: Without Right to Error"]

[FBIS Translated Text]

1. Kazakhstan and Russia

The arguments surrounding the draft constitution are subsiding somewhat. This is understandable—the month allotted by the president's decree for public discussion is up. But it is something else that is surprising: Practically all the remarks in the press have concerned the interaction of the branches of power, the authority of each of them (which has more, which, less), and so forth. But the constitution is called the country's basic law for the reason that it encompasses all aspects of the activity of the state and the life of society. Including such an important aspect as international relations. Article 8 of the final version of the draft constitution reads: "The Republic of Kazakhstan respects the principles and rules of international law, pursues a policy of cooperation and neighborly relations between states, their equality, and noninterference in one another's internal affairs, and the peaceful resolution of international disputes and renounces first use of armed force."

Yet in the intermediate version of the draft constitution submitted for public discussion Kazakhstan is declared a neutral state. What is the reason for the disappearance of this wording from the final text of the draft?

The substance of the term "neutrality" may be disputed at the scholarly level, but, in any event, our country's actual position does not correspond to this status. If only because at the start of the present year the heads of Russia and Kazakhstan signed a package of bilateral agreements. They include the Declaration on an Expansion and Intensification of Kazakhstan-Russian Cooperation, clause 10 of which records: "Kazakhstan and Russia will subsequently proceed from the principle of the use by the armed forces of one party of the

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facilities and installations located on the territory of the other, considering the parties' endeavor to use their defense potential in the interests of mutual security. To this end the parties shall as of 1995 **embark on the formation of joint armed forces...."** (my emphasis—V.N.).

This alone should have alerted the compilers of the draft who were in a hurry to declare the Republic of Kazakhstan a neutral state. For, called such, it would forfeit the right to join any armed alliances, not to mention the creation of joint armed forces with anyone. And if we recall last year's agreement on the leasing to Russia of part of the Baykonur Cosmodrome (together with the city of Leninsk, which has in practice switched to the jurisdiction of Russia), the mention of neutrality in the intermediate draft of the constitution is altogether absurd.

2. The Eurasian Union and the SVMDA

Modern realities are such that the disintegration of the USSR, while having reduced appreciably the nuclear danger, by no means removed from the agenda the problem of the collective security of the post-Soviet states. There is no doubt that Russia remains Kazakhstan's partner No. 1 within the framework of the CIS. But the political instability of our northern neighbor's domestic situation is reducing to nothing many of the positive socioeconomic initiatives within the framework of the Commonwealth. For instance, the idea of joint industrial and financial groups expressed by Russian Prime Minister Viktor Chernomyrdin in the course of his first visit to Almaty back in the winter of 1993 has yet to "mature" to the point of practical embodiment.

In analysts' opinion, this is largely explained by Russia's aspiration to establish itself with "great power" status not only in the post-Soviet space but in the world also. It is for this reason, possibly, that the idea of the Eurasian Union advanced by our President Nursultan Nazarbayev (and which has met with the support, incidentally, of many public figures in the neighboring state) has yet to acquire a specific political outline.

But an increasing number of politicians today both in the West and in the East also are making no secret of their leeriness in relation to Russia, which has merely increased in the light of the events in Chechnya. At the same time, on the other hand, Kazakhstan (which has acquired in the world press the deserved name of "island of stability") is increasingly actively attracting the gaze not only of foreign politicians but of investors also. And the idea of the Eurasian Union, which contains a far stricter "fundamental format" of integration than the present CIS, is not scaring them off. Although it seemed initially that it would be perceived primarily as an attempt at the restoration of the USSR under a "new signboard."

There is a strengthening understanding in the far abroad, evidently, that a post-Soviet space united by common aspirations (and united not only in the economic but also in the political and military spheres) corresponds far more to the interests not only of regional but also of world security.

It is for this reason, incidentally, that the vast majority of states (not only of the Asian continent, what is more) are increasingly well disposed toward another Kazakhstan initiative— concerning the convening of the Conference on Interaction and Confidence-Building Measures in Asia (SVMDA). This idea, which was expressed by Nursultan Nazarbayev in the course of the work of the UN General Assembly 47th Session (1992), was initially received by our continental neighbors with a fair degree of skepticism. But as of today, following three meetings of experts of Ministries of Foreign Affairs of Asian countries, the attitude toward it has changed. This was expressed, in particular, in the creation of a special working group on a permanent basis (1995).

It is indicative that the principles which Kazakhstan considers central in the activity of the SVMDA are declared in practically the same form in the republic's draft constitution. These principles are a guarantee of territorial integrity; respect for the sovereignty of the conferees; noninterference in internal affairs; the resolution of emergent conflicts solely by way of negotiations.

Thus the exceptional importance of the creation of a dependable and efficient system of security in Asia is extraordinarily timely [sentence as published]. Two of the world's five nuclear powers are situated on the continent. But whereas in Europe there are dependable institutions of security (the OSCE), there is nothing of the sort in Asia at this time. And Kazakhstan, aside from all else, is accorded an opportunity to become the leader of continental geopolitics, which would only increase the authority of our state not only in Asia but throughout the world.

A further stimulation of the country's efforts in the international arena will, understandably, be needed for this, which in no way jibes with the neutral status almost asserted in the draft constitution. And had specialists not noticed this unconditional piece of nonsense in good time, the international consequences of such a provision of the basic law could have been unpredictable....

3. The Country's Security in Public Opinion

A location between two nuclear superpowers—Russia and China— should have signified Kazakhstani soci-

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ety's increased interest in the problem of its own security. And, truly, a flash of such interest was observed at the moment when the republic renounced nuclear status. But passions subsided without, essentially, erupting. According to data of sociologists, more than half the population sees no external threat to its country's security. Even China, which had traditionally, since Soviet times, been considered "Enemy No. 2" (after the United States), is today perceived as such by no more than 5 percent of the population. In regard to the neighboring CIS states, two-thirds of Kazakhstanis express practically no concern. These data, obtained as a result of a poll conducted recently by the U.S. Information Agency (USIA), differ significantly from the results of an analogous poll in 1992, when one-fourth of Kazakhstanis expressed concern at a possible attack.

It is interesting that a majority of those polled expressed a positive attitude toward NATO (despite the negative image of the North Atlantic bloc created for decades by Soviet propaganda). The United Nations enjoys considerable trust. Seventy-three percent of those polled declared that they trust this organization, and 26 percent expressed "very great trust." These polls demonstrate also practically total support for President Nazarbayev's initiative concerning the creation of a Eurasian Union. Six out of 10 of those polled are sure that membership of a Eurasian Union would be beneficial for Kazakhstan.

The assessment of relations with the closest regional neighbors is indicatively illustrated in the example of Uzbekistan. As distinct from certain Kazakhstani experts, public opinion does not see Tashkent as Almaty's rival in a struggle for leadership in Central Asia. Two-thirds of those polled believe that the relationship between the two neighbor states may be termed cooperation. And only 13 percent are inclined to consider them rivals.

At the same time, on the other hand, the absence of unity in the population's views on Kazakhstan's renunciation of its nuclear status (the poll was conducted prior to the official declaration of the republic as a nuclear-free state) is symptomatic. A majority of those polled (46 percent) believe that the preservation of nuclear weapons would afford additional prospects of the country's security. Approximately as many (42 percent) were of the opposite viewpoint.

Of course, these data are presented by no means to "argue" for a return to the republic of the nuclear "umbrella" (especially since its renunciation was dictated by both political considerations and the impossibility of maintaining their operation by ourselves). But the pollsters' data demonstrate graphically how far the mass consciousness is not prepared for an adequate perception of the country's neutral status, with which the drafters of the "treaty between society and the authorities" wanted to "present" it.

4. What Follows From This?

The entire history of the "production" of laws in our country has accustomed us to the idea of their fragility and short duration. In fact, it is hard to find if only one legislative instrument that has not at a particular stage undergone revisions or been canceled altogether. On the one hand it is not hard to find an explanation for this: We live in a transitional society, and many key concepts have not yet been defined, and what has been defined today will be confounded by life itself tomorrow.

In addition, previous Supreme Councils, which created the present legislative base of society, frequently did so more "for themselves" than in the interests of the whole of society.

The current constitution also, which was adopted in January 1993, is today rightly perceived as a compromise between the fledgling presidential republic at that time and the old party and nomenklatura traditions of Soviet parliamentarianism. It should be recalled, however, that the draft of what is now the current basic law was drawn up very carefully. It was worked on by three constitutional commissions, essentially, which were upgraded and supplemented on each occasion. This lasted (counting the public discussion) almost two years.

Nonetheless, I should like to hope that the manifest "lapse" over neutrality will prove the sole exception to the general rule. This is important for two reasons.

First, it would look extremely odd if some six months after the referendum it were necessary to hastily recall the new basic law for urgent "cosmetic repairs." The people might not understand this....

Second, it should not be forgotten that since this constitution was drawn up and will be adopted in the absence of a parliament, the entire responsibility for its quality will be borne by one person, virtually—the head of state. And although Nursultan Nazarbayev's authority in society is today indisputable, his legal advisers should hardly be making such a "gaffe." Especially since there are, as we can see, no trifling matters in the law of laws....

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***1994-95 Socioeconomic Situations Compared**

954F3098A Almaty AZIYA-EZH in Russian Aug 95 No 4, p 6

[Unattributed report: "The Socioeconomic Situation of the Republic of Kazakhstan During the First Half of 1995]

[FBIS Translated Text] *The economic situation in Kazakhstan during January-June 1995 was characterized by the following peculiarities: There was a steady tendency toward reduction of the monthly rates of inflation from 8.9 percent in January to 2.3 percent in June. The retardation of inflation occurred against a background of a relative strengthening of the tenge relative to hard currency. According to data from the National Bank of the Republic of Kazakhstan, at the end of December 1994 its exchange rate was set at 54.26 tenge per U.S. dollar, and as of 29 June of this year—63.35 tenge.*

The real volume of GDP [gross domestic product] decreased this year, but as compared to last year there has been a relative stabilization of its dynamics.

While during the first quarter of 1994 the volume of GDP decreased by 30 percent as compared to the level of the corresponding period of 1993, in 1995 this figure was 19.5 percent. During the first half year these figures were 26.9 percent and 18.5 percent, respectively.

Change in Real Volume of GDP

	Percent
1st quarter 1994	70
1st half 1994	73.1
1994	75.4
1st quarter 1995	80.5
1st half 1995	81.5

According to a preliminary calculation using the method of final utilization, the amount of GDP during the first quarter of this year was determined as 128.2 billion tenge. The discrepancy between this and the amount obtained by the production method was 2.0 percent.

Structure of Utilization of GDP in Current Prices

		in %
GDP	128.2	100
Expenditures on final consumption	89.8	70
including:		
—households	64.5	50.3
—state institutions	16.9	13.2
—individual services	11.6	9
—collective services	5.3	4.1
—noncommercial organizations	8.4	6.5
Gross accumulation of capital	38.2	29.8
Gross accumulation of fixed capital	40.5	31.6
Change in reserves of material working capital	-2.3	-1.8
Net exports of goods and services (minus imports)	0.2	0.2

The indicator "Gross Accumulation of Capital" was determined by expert appraisal and will be revised in the future.

In June of this year the volume of the produced gross domestic product in current prices was 73.7 billion tenge with a reduction of its physical volume as compared to June 1994 of 18.5 percent.

Production of Industrial Products

During the first half of this year industrial enterprises with all forms of ownership and also industrial subdivisions at nonindustrial organizations produced products (work, services) in existing prices amounting to 301.3 billion tenge, including in June—48.6 billion tenge.

As before, the republic's industry is developing under conditions of reduction of investment activity with a critical shortage of internal working capital and limitation of the effective demand of the consumers.

On the whole during the first half of this year production was typically greater than during the preceding months of last year. The average monthly increase in the

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production volumes during the aforementioned period was 0.4 percent.

Additionally, during the past period of this year there has been a tendency toward a gradual reduction of the depth of the production recession as compared to the corresponding months of last year. Thus with a decline of volumes on average during January-June 1994 as against 1993 of 29.4 percent, during January-June 1995 this decline decreased each month: from 22.4 percent in January to 12.9 percent in June (average—16.1 percent).

The Dynamics of industrial production in the republic during the six months of 1995 are given below:

	In percentages of corresponding period of last year	Reference 1994 relative to 1993
January	77.6	72.1
February	82.8	67.7
January-February	80.2	70.0
March	84.5	68.4
January-March	82.0	69.1
April	85.1	67.0
January-April	82.5	68.8
May	86.1	74.5
January-May	83.5	70.9
June	87.1	73.4
January-July	84.1	70.6

The dynamics of industrial production are increasingly formed under the influence of the effective demand of consumers of the products. As a result the branches have reacted in various ways to the developing market products. There was an excess of production volumes in May in ferrous metallurgy (4.4 percent), the timber, wood processing and pulp and paper industry (20.1 percent), the construction materials industry (1.1 percent), and the food industry (1.2 percent). A growth of production volumes in June of this year as compared to June of last year is found in oil refining (28.1 percent), the chemical and petrochemical industry (31.1 percent), ferrous metallurgy (19.9 percent), and electric power engineering (2.7 percent).

In the republic as a whole the decrease in production during January-June of this year was 15.9 percent as against 29.4 percent during an analogous period of 1994. The same tendency can be observed in many oblasts of the republic. But while there is a decline of production in industry as a whole, in certain branches there is significant growth. In the chemical and petrochemical industry—41 percent, ferrous metallurgy—21.6 percent, and the gas industry—4.1 percent.

During the past six months the production recession has slowed down somewhat as compared to the preceding period in the oil refining industry, machine-building and metal processing, and the construction materials industry. Production has decreased to a lesser degree than in the republic as a whole in the branches of the fuel and energy complex: electric power engineering—2.9 percent, oil production—6.1 percent, and oil refining—7.1 percent. This was conditioned by their export orientation and also the high level of material- and energy-intensiveness of the products.

To an ever greater degree the production volume of processing branches of industry is being formed based on the ratio between supply and demand and the financial capabilities of the consumers. There has been a significant decline of production volumes in branches that are oriented toward the output of products for investment purposes and consumer goods. The considerable arrears occurring during January-June remains in light industry (60.1 percent), the food industry (41.7 percent), and the construction materials industry (35.9 percent).

As compared to January-June 1994 1,985 enterprises (almost every third one) lowered the level of their production volume and they failed to sell 83.1 billion tenge worth of products (which is 27.6 percent of all the industrial output produced in the republic). The proportion of industrial enterprises that reduced their production volumes by more than 20 percent (as compared to the corresponding period of last year and of the overall number that reduced their volume) is 77 percent, from 10 to 20 percent—11 percent, and less than 10 percent—every eighth enterprise.

The volume of industrial production during the first half of 1994 was exceeded by Atyrau and Zhambyl Oblasts, and in Akmola, Aktyube, East Kazakhstan, West Kazakhstan, Zhezkazgan, Kostanay, and Pavlodar Oblasts production decreased from 14 to 2.4 percent, which is considerably less than in the republic as a whole. At the same time there was a considerable decrease in production in Taldykorgan, Semipalatinsk, Torgay, North Kazakhstan, Kzyl Orda, and South Kazakhstan Oblasts and the city of Almaty (from 51.6 to 29.4 percent).

Of the 21 most important types of products taken into account in the immediate reports, for 85 items (40.5 percent of the overall number) in June 1995 as compared to May 1995 there was an increase in product (among them: iron and chrome-iron ore, iron pellets, pig

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iron, steel, steel pipes, ferrosilicon, ferrochrome, coke, lead, crude titanium, rolled lead, calcium carbide, yellow phosphorus, polystyrene and styrene copolymers, benzene, acetic acid, power cable, washing machines, automobiles, tractor seeders and cultivators, commercial timber, paper, brick, construction slate, cotton fabrics, knitted items, macaroni items, vegetable oil, tea, meat, sausage items, butter, etc.).

During the six months of this year as compared to January-June of last year there was an increase in production for 45 items or 21.4 percent of the overall number (in 1994—for 14 types); there was a reduction for 165 or 78.6 percent of the overall number (in 1994—for 192 types).

The grouping of the numbers of types of products in the dynamics of their output is presented below:

	As compared to the corresponding period of last year				
	January-June	June	January-May	May	June 1995 compared to May 1995
Increase in production (100 percent and more)	45	39	47	37	85
Reduction of production	165	171	153	143	125
including:					
up to 10 percent	11	14	12	9	16
from 10 to 30 percent	30	19	24	32	34
more than 30 percent	116	105	117	102	41
Not produced	8	33	10	30	34

In spite of the observed tendency toward improvement of the situation in industry, the financial condition of industrial enterprises continues to be difficult. One of the reasons for the financial difficulties of the enterprises is their considerable amount of accounts receivable from buyers, clients, and other debtors and accounts payable to supply enterprises. As of 1 June 1995 accounts receivable in industrial enterprises of the republic amounted to 195 billion tenge, of which 41.5 percent was delinquent (as of 1 May 1995—37 percent). Accounts payable (including credit and loans) amount to almost 278 billion tenge (71.5 percent of the amount for the entire republic), of which 38.7 percent is delinquent (as of 1 May 1995—35 percent). At the same time the amount by which delinquent accounts receivable exceeds accounts payable is increasing. Thus while as of 1 May 1995 this amount was 21.9 billion tenge, as of 1 June 1995 it was 26.5 billion tenge.

Additionally, the results of the operation of industry as a whole is negatively affected by the *prolonged down time of enterprises and individual productions.* Although in June of this year as compared to May the number of enterprises that had prolonged production shutdowns (more than one shift) decreased from 465 to 457, still the losses of working time increased from 1,730,000 man-days to 1,811,000 man-days (which is 25.1 percent of the authorized supply of work time). Last month 60 enterprises fully shut down their productions (in May—68), or 13.1 percent of the number that were idle. As a result of this they failed to produce 7.7 billion tenge worth of products, including in South Kazakhstan—2 billion tenge, Pavlodar—1.1 billion tenge, Karaganda—0.9 billion tenge, Zhambyl and Zhezkazgan—0.6 billion tenge each, East Kazakhstan and Kostanay Oblasts—0.4 billion tenge, and the city of Almaty—0.3 billion tenge.

As before, the main reasons for the shutdowns were the lack of material resources (73.7 percent of all losses of working time), and of these 23.8 percent had to do with insufficient financial funds, and 15 percent were caused by the insolvency of the consumers. There largest numbers of idle enterprises were in East Kazakhstan (52), Zhambyl (35), Semipalatinsk (34), and Karaganda (33) Oblasts and the city of Almaty.

*Industrial Production Figures for 1995

954F3097A Almaty AZIYA-EZH in Russian Aug 95 No 4, p 7

[Unattributed report: "Production in Certain Sectors of Industry"]

[FBIS Translated Text]

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Production of the Main Varieties of Fuel and Energy Output

	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Electricity, billion kilowatt-hours	34.7	4.6	103.8	87.8	101.4
Thermal power, calories	3.51 billion	200 million	96.0	79.5	86.8
Oil (including gas condensate), tonnes	9.6415 million	1.7124 million	102.8	91.5	97.1
including					
Oil	8.4457 million	1.5361 million	99.2	93.2	94.8
Natural gas, cubic meters	2.4974 billion	393.0 million	129.5	88.2	108.4
Coal, tonnes	40.4 million	2.9 million	35.2	45.9	74.4

The republic's electric power industry (engaging 18.9 percent of industrial production) continues to diminish production volumes, thereby exerting a significant influence on the results of production output in general. Despite the fact that production volume in June of this year increased somewhat over the June 1994 level, this did not compensate for the drop that took place in January-May of this year, and as a result, production volumes in this sector fell 2.9 percent over the half-year period. In this regard, whereas in general over the six months of this year, electric power generation volumes increased 1.4 percent over the same period of last year, thermal power volumes fell 13.2 percent. The financial state of enterprises in the fuel and energy complex remains adverse. Thus, the production association Karugol delivered virtually no production output in June due to lack of a sales market and the insolvency of consumers. As of 1 July 1995, accounts payable to the joint-stock company Ekibastuzkomir totalled 1.0582 billion tenge, while debts receivable amounted to 5.7044 billion tenge (five times the accounts payable). Coal was dispatched only to local consumers.

In the oil production industry, the rate of production decline continues to recede. Thus, whereas in the first quarter of this year, in comparison to the same period of last year, the decline in industrial production was 9.6 percent, in January-June it was 6.1 percent.

In the oil refining industry, the greatest industrial production decline during the first half of the year was observed in February, when just 68.5 percent of the February 1994 output level was produced. The indicators improved somewhat in May (85.5 percent), and in June production volume in the sector increased by 28.1 percent over the level attained in June 1994. The production volume over January-June was 7.1 percent lower than that observed for the same period of last year, in contrast to 13.1 percent with respect to the January-May period.

Some 932,600 tonnes of oil were refined in the republic in June—1.2 times the volume refined in June of last year. As a result, the production of motor vehicle gasoline increased by 31.2 percent, diesel fuel—23 percent, and furnace fuel oil—46.2 percent. For the half-year period overall, however, their production levels decreased in comparison with the same period of last year: gasoline—by 3.7 percent, kerosene—by 21.1 percent, diesel fuel—by 5 percent, and furnace fuel oil—by 13.5 percent.

Enterprises of the sector find themselves in a difficult financial state. Thus, as of 1 July 1995, at the joint-stock company Aktyubinskneft alone, accounts payable totalled 1.897 billion tenge, while debts receivable reached 2.9317 billion tenge.

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Production of the Main Varieties of Ferrous Metallurgy Output

	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Cast iron, tonnes	1.3451 million	234,000	103.6	111.0	109.0
Steel, tonnes	1.6377 million	270,800	93.5	107.3	109.7
Ferrous rolled metals, tonnes	1.2421 million	156,100	68.0	89.3	106.6
including finished rolled metal	1.2411 million	156,000	68.0	89.3	106.6
Coated sheet metal and metal stripping, tonnes	114,800	18,600	146.8	88.1	238.4

Production output volumes increased significantly in this sector. June levels were 19.9 percent greater than those of June 1994; first half-year levels were 21.6 percent greater than those of the first half of 1994; and the June 1995 levels were 4.4 percent greater than May 1995 levels. In January-June, as well as in June, compared with the same periods of last year, output of the majority of the most important production varieties of the sector rose: iron ore—by 50.9 percent and 2.9-fold, respectively; iron-ore concentrates—by 58.4 percent and 3.4-fold; chromite ore—by 30.6 percent and 58.1 percent; ferrochromium—by 18.8 percent and 32.8 percent. In June the production of iron and chrome ores, iron-ore pellets, cast iron, steel, steel pipe, and ferrochrome increased over May production levels.

In January-June, as well as in June of this year, increased output was observed in the majority of the most important production varieties in this sector. However, production volumes were less than those for the same period last year with respect to manganese ore, cold-rolled steel sheeting, and ferrosilicon.

The adverse situation in this sector is caused by delivery shortages of materials and raw materials, work-time losses, and reciprocal nonpayments. Thus, at the joint-stock company Steel (Pavlodar Oblast), work-time losses came to more than 7,000 man-days, resulting in lost production output valued at 4.4 million tenge. Due to electricity shortages, production output amounting to 16.5 million tenge was lost at the Lisakovskiy Ore-Dressing Complex (Kostanay Oblast).

Debts receivable at the state joint-stock company Karmetkombinat as of 1 July 1995 totalled 8.7863 billion tenge, while the enterprise itself owes creditors 14.220 billion tenge. These indices for the joint-stock company Karagayliyskiy Ore-Dressing Complex are 29.3 million tenge and 111 million tenge, respectively, and for Sokolovsk-Sarbay state production association (Kostanay Oblast)—2.400 billion tenge and 2.4586 billion tenge, respectively. At the Yermakov Ferroalloys Plant (Pavlodar Oblast), they are 1.694 billion and 4.155 billion tenge, respectively.

Production of the main varieties of fuel and energy output

	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Bauxites, tonnes	1.5355 million	285,300	107.1	99.7	106.9
Aluminum oxide, tonnes	497,100	82,500	221.3	97.2	110.3
Refined copper, tonnes	117,500	19,000	75.2	99.9	96.0

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	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Lead, including secondary lead, tonnes	53,900	9,700	93.1	101.5	72.0
Titanium sponge, tonnes	4,279	753	208.6	105.9	228.6
Zinc, tonnes	89,700	15,100	105.1	87.6	114.8

In nonferrous metallurgy, production volumes increased in January-June, as well as in June, as compared with the same periods of last year.

During the first half of this year, the production of titanium sponge increased 2.3-fold over the level for the same period last year, zinc—by 14.8 percent, magnesium and magnesium alloys—1.5-fold, bauxites—by 6.9 percent. At the same time, production output of metallic bismuth, tin and lead, rolled brass, and other rolled metals decreased. Barium concentrate was not produced in June.

The main reason for diminished production in the sector is enterprise shortages of their own working capital, which entails incomplete use of production capacities.

Thus, in June of this year alone, the joint-stock company Zhezkazgantsvetmet lost work time amounting to 6,400 man-days due to lack of electric power, resulting in a production output loss of almost 585 million tenge.

In addition, the situation enterprises find themselves in is complicated by the problem of reciprocal nonpayments. Thus, debts receivable at the state joint-stock company Copper-Chemical Complex total 219.7 million tenge, while accounts payable amount to 184.5 million tenge. For the joint-stock company Irtyshsk Polymetallic Complex, these figures are 71.2 million tenge and 161.2 million tenge, respectively; for the joint-stock company Zyryanovsk Lead Complex—205.8 million tenge and 235.3 million tenge; for the joint-stock company Leninogorsk Polymetallic Complex—578 million tenge and 1.4882 billion tenge; for the joint-stock company Ust-Kamenogorsk Lead-Zinc Complex—549.6 million tenge and 350.7 million tenge; and for the joint-stock company Ust-Kamenogorsk Titanium-Magnesium Complex (East Kazakhstan Oblast)—324.6 million tenge and 162.4 million tenge.

A significant increase continues to be observed in industrial production volumes in the chemical and petrochemical industry (41 percent).

Output of the Most Important Varieties of Chemical and Petrochemical Production

	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Calcium carbide, tonnes	36,559	9,134	124.4	152.0	96.3
Monohydrate sulfuric acid, tonnes	349,100	56,800	77.7	85.2	112.1
Mineral fertilizers, tonnes	88,000	14,600	128.1	75.3	136.0
Synthetic resins and plastic compounds, tonnes	33,900	7,400	2.5-fold	104.8	2.9-fold
Yellow phosphorous, tonnes	18,700	6,030	135.1	115.5	121.8

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The production of synthetic resins and plastic compounds has virtually been renewed this year. Production of sulfuric acid increased by 12.1 percent over the six months, yellow phosphorous—by 21.8 percent, sodium bichromate—by 70.2 percent, mineral fertilizers—by 36 percent, and polystyrene and styrene copolymers—3.9-fold.

At the same time, the production of calcium carbide, benzene, acetic acid, styrene, tires, and synthetic detergents decreased in January-June from the level for the same period last year.

In addition, phosphoric ore, borax, boric acid, diammonium phosphate, and rubberized belts were not produced in June.

The main reasons for decreased production output are shortages of material resources and lack of enterprise working capital. In the Pavlodar production association Khimprom, for example, work-time losses for June alone amounted to 2,500 man-days for these reasons, resulting in lost production output valued at 200 million tenge. The joint-stock company Kostanaykhimvolokno lost 19,600 man-days and almost 40 million tenge in this manner. Lack of material resources at the joint-stock company Phosphor (South Kazakhstan Oblast) caused work-time losses of 66,600 man-days, and as a result—lost production valued at almost 805 million tenge. The joint-stock company Shymkentshina experienced work-time losses of 53,500 man-days, resulting in production losses of 864 million tenge.

As of 1 July 1995, accounts payable for materials and raw materials at the joint-stock company Khimprom and joint-stock company Nodfos (Zhambyl Oblast) totalled 105.6 million tenge and 351 million tenge, respectively, while debts receivable amounted to 300.8 million tenge and 305 million tenge. For the joint-stock company Khimprom (Pavlodar Oblast), the figures were 213.8 million tenge and 289.4 million tenge, respectively.

In the machine-building sector over the period January-June 1995, in view of the adverse financial condition of enterprises and reduced effective demand on the part of consumers, output of the majority of most important production varieties continues to diminish. The drop in production from last year's level in the sector was 30 percent. Presently, the share of the republic's production potential attributable to machine-building and metalworking is just 6.3 percent.

However, a number of sector enterprises are intensifying their production output in consideration of the demand-related market conditions that are taking shape. Production volume levels were greater for the six-month period this year than last at the joint-stock company Vostokmashzavod, joint-stock company Capacitor Plant, Sogra Machinery Plant (East Kazakhstan Oblast), joint-stock company PZMD, and joint-stock company Plant imeni Kirov (North Kazakhstan Oblast).

In January-June of this year, production of tractor trailers, tractors, and industrial fittings increased over last year's levels.

June production levels were greater than May levels this year with respect to the output of small-capacity electric motors, power cable, electrical wiring, centrifugal pumps, motor vehicles, and tractor seeders.

There was no June production output of metal-cutting machine tools, excavators, bulldozers, snow removers, special-body trucks, and tractors.

Production Output in the Machine-Building Sector

	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Batteries and lead storage batteries for motor vehicles	212,683	51,308	404.7	82.8	60.3
Pressing and forging machines	177	6	16.7	28.6	71.4
Bulldozers	415	-	-	-	81.5
Motor vehicles	86	24	60.0	133.3	74.8
Trolley buses	19	2	66.7	100.0	100.0

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	Production in January-June 1995	Production in June 1995	June 1995 percentage of June 1994	June 1995 percentage of May 1995	January-June 1995 percentage of January-June 1994
Tractors	1,387	-	-	-	165.1
Centrifugal pumps	2,870	471	47.0	105.1	67.4

Sector enterprises have not to date produced excavators, snow removers, special-body trucks, tanker trucks, fodder-harvesting combines, or trailer-mounted fodder spreaders for livestock farms and electric shearing complexes.

A significant production decline from 1994 levels for most machine-building varieties was predetermined during the first half of 1995 by the noncompetitiveness of domestic machine-building output due to high prices or low quality, and by the limited financial resources of customers. This was characteristic of the production of electric household appliances and their component parts (batteries and lead storage batteries, small-capacity electric motors, cosine power capacitors, and power transformers).

In connection with the reduced demand for expensive equipment, decreased production was seen over the six months of this year with respect to metal-cutting machine tools (by 87.4 percent), pressing and forging machines (by 28.6 percent), automation equipment and related spare parts (by 50.6 percent), chemical equipment (by 35.6 percent), equipment for polymer manufacture and related spare parts (by 42.2 percent), and technological equipment for light industry and its associated spare parts (by 44 percent).

In agricultural machine-building, fewer disk harrows and tractor seeders were produced over the six months of this year than last by a factor of 2.3, fewer tractor plows—by a factor of 9.7, fewer tractor cultivators—by a factor of 11.6, and fewer tractor mowers—by a factor of two.

We continue to see a significant loss of machine-building production volume due to stoppages at enterprises for a number of economic reasons (lack of raw materials, shortages in materials and component parts, financial difficulties, absence of a sales market, etc.). Thus, work-time losses at the joint-stock company Tselinogradselmash and joint-stock company Kazakhselmash (Akmola Oblast) totalled 22,600 man-days and 7,600 man-days, respectively, resulting in lost production valued at 44.0 million tenge and 13.6 million tenge, respectively. For the joint-stock company Kargormash, these figures were 8,900 man-days and 49.7 million tenge; for the joint-stock company Pavlodartraktor—14,700 man-days and 874.9 million tenge. In North Kazakhstan Oblast, the joint-stock company PZTM, joint-stock company ZIKSTO, joint-stock company Plant imeni Kirov, and joint-stock company ZIM stood idle, suffering work-time losses of 12,400, 15,200, 11,600, and 13,800 man-days, respectively, and losing production output valued at 2.8 million, 11.5 million, 5.5 million, and 10.3 million tenge.

The operation of machine-building enterprises is further complicated by the unending crisis with respect to reciprocal nonpayments. A number of enterprises have significant amounts both of accounts payable and debts receivable. At the joint-stock company Tselinogradselmash, for example, we see debts receivable as of 1 July 1995 totalling 78 million tenge, while accounts payable amount to 261 million tenge; at the joint-stock company Machine-Building Plant (city of Almaty), these figures are 16.7 million and 136.6 million tenge, respectively; at the joint-stock company Kargormash—280 million and 180.6 million tenge; at the joint-stock company ZIKSTO (North Kazakhstan Oblast)—120.6 million and 110 million tenge. The level of accounts payable is significant at the Diesel Engine Plant (Kostanay Oblast)—148 million tenge, while its debts receivable come to 6.3 million tenge. The figures for the joint-stock company Pavlodar Machine-Building Plant are 115.7 million and 15.8 million tenge, respectively, for the joint-stock company Teplopribor (Karaganda Oblast)—1.4722 billion tenge and 443 million tenge.

Turkmenistan

Public Discomfort Over Niyazov Cult Viewed

954F3080A Moscow IZVESTIYA in Russian 5 Aug 95 p 4

[Article by Igor Rotar: "Special Path, But Turkmen-Style: Even Kindergarten Children Swear Fealty to the President"]

[FBIS Translated Text] Ashgabat-Moscow—"We are approaching the capital of independent Turkmenistan—the city of Ashgabat.... Profound and nationwide love and respect surround President of Turkmenistan Saparmurad Atayevich Niyazov.... Pilots of Turkmenistan are constantly aware of the esteemed president's concern and attention.... Air temperature at the capital's airport is 45 degrees," the pretty Russian

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flight attendant of Turkmen Airlines, comfortably seated against the background of a portrait of the "leader of all the Turkmen," intones by heart.

Land of Currency Dealers

I sensed the oddities of local life practically immediately after having landed on the soil of flourishing Turkmenistan. What amazed me were not even the numerous portraits—every 100 meters approximately—but the distinctive openness of the local inhabitants. I was spotted as a newcomer in an instant, and crossing the city by myself, therefore, was practically impossible. "Exchange dollar, ruble, no?" Turkmen women dressed in ankle-length "done-up" dresses said beseechingly, grabbing me by the arm.

You can get up to five years in prison here for exchanging currency other than at the state bank. Among those who offer their services on the street, there are very many planted "decoys." "I had only just begun to exchange money, and, as if from out of the ground, five persons in civilian clothes appeared. I threw the dollars to the ground and shot through the nearest gateway! What could I do? Freedom is dearer!" an Ashgabat friend complained to me. This person can hardly be considered a coward: Illegal currency transactions are one of Turkmenistan's most prevalent "crimes."

The risk is great, of course, but it's a wretched business giving foreign currency to the bank also—the official rate is almost two times lower than the market rate. If, however, foreigners may be suspected of excessive stinginess, citizens of Turkmenistan are becoming "criminals" from desperation. The dollar or ruble may be surrendered, but not purchased. The local currency, the manat, however, although famous for depicting the first Turkmen president, is perceived by the inhabitants of the republic merely as a stylish piece of paper. Citizens of Turkmenistan prefer to make sizable purchases abroad.

Even recently inhabitants of the republic traveling to Russia could purchase $200 for the local currency, today, however, even this is prohibited for the majority. The lucky ones for whom this privilege is preserved are patients traveling for treatment to the former metropolis and students at school in Russia and also Russian servicemen going on leave.

But what is most interesting, perhaps, is that while meting out exemplary punishment for its subjects for currency transactions, the state itself, making no secret of the fact, is committing the same crime, inciting, in addition, its citizens to break the law here. Thus in a country where the circulation of foreign currency is categorically prohibited, subscriptions for foreign newspapers, Russian, for example, may be taken out only for dollars and Russian rubles. International telephone calls are paid for in the same currency in many hotels.

Original Society

Following the disintegration of the Soviet Union, the former leader of the republic's communists, Saparmurad Niyazov, president of Turkmenistan, decided that his country had to develop by a special path incompatible with the Western model of development chosen by Moscow. "We are building an original new society and we are moving toward it by our own path," the president emphasizes. "People, Motherland, Turkmenbashi (leader of all the Turkmen— I.R.)"—it is this slogan, which is posted everywhere, which constitutes the basis of the Turkmen idea of independence.

The construction of monuments to the first Turkmen president has begun throughout the country, and streets, cities, and even canals have come to bear his name.

"Turkmenistan—beloved fatherland, my native haunts!... At the hour of betrayal of the motherland, the president, and your sacred banner, may I cease to draw breath!" All meetings and lessons in school begin with this "oath of the Turkmen," and it is learned by heart even in kindergarten. "A new name has become firmly established for the president among the people—Saparmurad Turkmenbashi. Considering the citizens' appeals and executing the will of the people, the Medzhlis (parliament—I.R.) has enshrined the name given him by the people—Saparmurad Turkmenbashi," the local newspapers write.

Any dissidence is suppressed at birth. All local dissidents are either in jail or outside of the republic. My Ashgabat acquaintances, people generally far removed from politics, warned me as strictly as could be against carrying on any serious conversations by telephone.

With a conspiratorial demeanor the barman proferred me an issue of IZVESTIYA which carried travel notes of correspondents from Turkmenistan.

"Are you not afraid to show it," I asked.

"No, this is still possible."

"And conversation?"

"I find a listening device every day."

A cabdriver's monologue: "Listen, what are you asking me all these questions for? I have six children. If their papa is taken from them, who will feed them?!"

A Turkmen peasant family is sitting in a teahouse. Having introduced myself as a correspondent from

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Moscow, I inquire: "What is life like?" The wife says something rapidly to her husband in Turkmen. Then the head of the family joins the conversation: "Thank you, Turkmenbashi! Everything's okay with us." About five minutes later I manage, for all that, to have a conversation with my partners. It transpires that the family has a half-starved existence. The wage of approximately $10 with eight mouths to feed in the family has not been paid for several months. "Why were you pulling the wool over my eyes," I asked. "Who knows who you are, perhaps you are from the National Security Committee. How many cases there have been of a person falling into conversation on the street and telling the truth—and disappearing. You know, you have shown me your correspondent's ID and your passport with a Moscow registration, but I am still afraid of you! Our president has long arms!" the Turkmen peasant woman said to me.

At the same time, on the other hand, the totalitarian machine in Turkmenistan is not yet completely debugged. The present system in Turkmenistan, although largely more odious than the communist regime of the 1970's, is as yet simply incapable of monitoring society as effectively. With the disintegration of the Soviet Union the old perfected mechanisms making it possible to control all strata of society (the powerful Communist Party encompassing the entire young people's Communist Youth League organization, for example) were demolished, and the young state has not yet had time to create an efficient new system of control. The punitive measures against dissidents are of a chaotic nature, therefore, and a sizable part of the population which does not openly protest against the regime remains, as before, beyond observation. "No one in our school intends to learn the 'oath of the Turkmen.' The teachers themselves understand that all this is nonsense," an eighth-grader of the capital's Russian-language school told me.

The struggle against dissidence is not the sole specific feature of the Turkmen model. Social protection of the population is a most important task of the republic's leadership. Electric power and water supply in the republic is free. Each citizen of Turkmenistan is sold per month at a symbolic price 2 kilos of meat (1 kilo costs 25 manat (7 cents], 1 kilo of sugar (8 cents), 400 grams of butter (8 cents) and 750 grams of vegetable oil (3 cents), 8 kilos of rice (25 cents), a bottle of vodka (50 cents), a packet of tea, and one bar of laundry soap. Alas, as always, the distribution system malfunctions. "It's the kind of meat that a dog wouldn't eat. In addition, of the 2 kilos, bones account for 1.5!" housewives complained to me. The water, on the other hand, even though it is supplied to the local residents free of charge, is fed to the majority of apartments of the Turkmen capital only at night.

Shortages, which have already been forgotten in other republics of the CIS, are also a specific feature of local life. Thus, for example, you cannot buy butter or sugar in the city for any kind of money without coupons. But there is a way out—as in the good old days, you have to come to some arrangement with the vendor, and he will sell you the scarce commodity in which you are interested from under the counter.

Kolkhozes Were, Are, and Will Be

The analogies with the "era of socialism" do not end here, for that matter.

The average monthly wage is approximately $15. If it is considered that the majority of Turkmen families are large, it is virtually impossible to live on this money, even with the low prices in Turkmenistan—a kilo of meat on the market here, for example, costs $1.

But nor in this difficult situation is the president abandoning his citizens to the whim of fate. The Turkmenbashi is calling strictly to account senior officials who raise the price of commodities. "Some ministries have failed to take account of the interests of the population, pursuing their own advantage, and have raised the prices of goods in everyday demand. The state will not permit this in the transitional period!" Niyazov castigates his ministers.

The president is displaying concern for an abundance of commodities also—the corresponding instruction has gone out to all ministries. Nor has the moral factor been forgotten. The newspapers are incessantly printing presidential edicts on the conferment of insignia and "For High Production Achievements and Flawless Work" medals.

Let us, however, turn to dispassionate statistics. The share of the nonstate sector in the gross domestic product is 7.7 percent, whereas in Russia this indicator is more than 50 percent. For a long time Turkmenistan did not know what to do with the kolkhozes. Attempts were made to abolish them and convert them into private farms, and finally a solution of the problem was found. On 15 June the president issued an edict on the creation of peasant associations. It says, in part: "All resources (land, implements of production, assets) are state property and fall within the indivisible category." According to the new edict, the leader of an association is appointed by the president.

The West is expressing its disappointment with the Turkmen reforms also. "Turkmenistan has proven to be an unreliable partner, Western businessmen are winding

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down their investments in this state!" Joseph S. Hulings III, American ambassador in this state, said, not without exasperation, at a recent meeting with local journalists.

Turkmen Juche Ideas

The Turkmen model can in principle hardly be considered really new. It sometimes seems even that the Turkmen leader has made an exhaustive study of Kim Il-song's Juche ideas constituting the basis of North Korean life. And it is not only a question of such a banality as cult similarity. Although here also the coincidences are simply astonishing—Turkmen functionaries, for example, wear badges portraying the Turkmenbashi. As in the land of morning freshness, furthermore, the most meritorious citizens are authorized their own, special badge with a depiction of the leader. Or what is the same here as in North Korea, are for a certain period of time assigned their own task. A "Decade of Stability" has been declared at this time in Turkmenistan, for example. This was originally "Decade of Prosperity," come to that, but about two years ago, following a demonstration by persons unhappy with the calamitous position of Turkmen women, the "decade" acquired a new name.

Something else is more interesting. A base principle of Juche is that a small state must rely on its own powers and not depend on imperial states. Essentially the same principle is proclaimed in the "neutral state" of Turkmenistan.

The cotton plantations are being cut back in the republic today and wheat is being cultivated: The leader has set the task of the country being fully self-sufficient in grain. And it is immaterial that the cutback in the cotton sowings will cause enormous losses and that wheat does not care to grow in the desert, the main thing is economic independence of other states.

This same noble goal was pursued by the Turkmenbashi when venturing upon the construction of iron and steel production in a state devoid of iron ore deposits.

The construction of an enormous integrated textile factory in the Ashgabat suburbs was begun. The factory has never opened, it is true: The construction has been frozen. Wagging tongues are saying that the holdup is to do with the fact that there are simply no qualified personnel in Turkmenistan for the textile industry.

A Bottle of Beer for a Month's Pay

It is also wrong, for that matter, to say that the Western way of life is wholly absent in Turkmenistan. You ultimately drive to the community of Berezengi on the outskirts of the Turkmen capital. Several dozen five-star hotels are located here. A hotel for each ministry, it was decided several years ago in Turkmenistan. A regular room here costs approximately $130, and the price of a bottle of beer at the hotel bar is the equivalent of the minimum republic wage. "It is practically impossible for these buildings to recover costs!" mercantile Western businessmen, lacking a state- minded scale of thinking, expressed their astonishment in conversation with me.

Alas, certain costs are unavoidable, of course. The water in the hotel swimming pools has to be changed several times a day, and for this reason water is not supplied to the homes in the closest neighborhood of the capital at all. Not far from the Berezengi community is Niyazov's residence. Some rowdy Turkmen women took to standing with empty pails along the road by which the Turkmenbashi travels. Of course, it was explained to these short-sighted women how absurd and unethical their behavior was.

What Lies Ahead?

Frankly, when getting ready for the assignment to Turkmenistan, I had no thought of writing a critical article about this republic. "All this is rubbish, of course, the civilization of Asia cannot be recarved in a Western style. Asia is too vast and is of a considerable age. It can be driven to Sunday school or to elections only with weapon in hand." Events in the Central Asian republics since the disintegration of the Soviet Union have shown that Rudyard Kipling's viewpoint remains at least partially topical even today. Truly, the opposition in Tajikistan, which operated under democratic slogans, attempted to seize power by crude force. A long and bloody civil war, which is essentially not over even at the present time, erupted in the country. Ultimately a strict totalitarian regime, compared with which the former decrepit communist elite, against which the local democrats struggled so doggedly, is perceived as a model of humanity and tolerance of dissidence, was installed in this state.

The Tajik experience has shown convincingly, it would seem, that in this region only an authoritarian regime is capable of saving the country from anarchy and chaos. Alas, the problem has a reverse side also. Authoritarianism under local conditions sometimes seamlessly turns into dictatorship, and the former communist nomenklatura, which has held on to power, might have absolutely no intention of reforming society according to the South Korean or Singaporean scenario. Copying the most odious communist regimes suits the local ruling clique most.

The situation in Turkmenistan could in principle develop according to another scenario also. This state is in third place in the world in terms of per capita natural gas reserves. Niyazov sincerely believed that his country would become a "second Kuwait." But the president

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failed to take account of the geopolitical situation. The sole gas pipeline from Turkmenistan runs via Russia, and Moscow, as a monopoly operator, prefers, which is perfectly natural, come to that, to sell gas to West Europe itself. Turkmenistan is having to content itself with the poorest, least beneficial clients: Georgia, Armenia, Ukraine.

The Turkmen-Iranian project for the installation of a Turkmenistan-Iran-Turkey-West Europe pipeline has failed also. Having joined the play, Washington, which is known for its animosity toward Iran, forced all investors to abandon the financing.

Were Turkmenistan truly to become a "second Kuwait," the local population, which is far removed from European canons of democracy, would forgive the first president both the palaces and the monuments put up in his lifetime. Alas, an entirely different situation has taken shape today: The destitute people are required to thank their leader for their happy life.

Clear evidence of the growing malaise in the country was the protest demonstration, unprecedented in terms of local proportions, held on 12 July. The authorities dealt brutally with the malcontents at that time, but no one could vouch for this rebellion being the last. A rumor to the effect that the next protests will take place in August even is making the rounds of the indigenous population.

It is paradoxical that Niyazov has practically no reverse gear in the current situation. It is unlikely, even were the president to so wish, that he could embark on real reforms truly capable of changing the economic situation. The promises, untenable in principle, which he generously made in the first years in office are a heavy burden for Niyazov also. "In two years each Turkmen family will have a home and a car!" the president said in 1993. This promise now sounds like outright taunting.

Niyazov's position is quite shaky: So high a proportion of the unhappy population is extremely dangerous for a totalitarian regime. During the existence of the pre-perestroyka USSR, for example, a large part of the people sincerely supported the ruling clique. Only two versions of the development of events are possible in Turkmenistan, essentially. Either Turkmenistan repeats the "Tajik scenario" or a most brutal totalitarian regime comparable with the world's most odious dictatorships finally triumphs here.

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Armenia

*National Economic Performance for Jan-Jun Tabulated

954F3067A Yerevan RESPUBLIKA ARMENIYA in Russian 11 Aug 95 pp 2-3

[Report by the Administration on Statistics, the State Register, and Analysis of the Republic of Armenia: "The Economy of the Republic of Armenia During January-June 1995"]

[FBIS Translated Text] During January-June 1995 the rate of the net material output (produced national income) as compared to January-June 1994 was 111.8 percent, and the gross domestic product—112.8 percent. The rate of utilization of the national income during January-May 1995 was 120.6 percent.

The dynamics of the republic's main socioeconomic indicators during January-June 1995 are characterized by the following figures:

	January-June 1995	January-June 1995 in % of January-June 1994 (in comparable prices)
Volume of industrial production, millions of drams	70,662.6	111.3
Electric energy production, millions of kilowatt-hours	2,635.3	94.1
Production of consumer goods, including alcoholic beverages, millions of drams	31,034.2	94.5
Price index of producers of industrial products	—	5.3-fold
Commodity turnover, millions of drams	70,680.5	167.4
Capital investments (in actual prices), millions of drams	10,921.2	—
Commissioning of fixed capital, millions of drams	4,402.5	—
Commissioning of residential buildings, thousands of square meters of overall space	101.4	134.5
Shipment (dispatch) of freight by general purpose transportation, thousands of tonnes	1,310.7	99.5
Paid services to the population, millions of drams	17,985.7	87.3
Monetary incomes of the population (in actual prices), millions of drams	58,913.4	6.1-fold
Monetary expenditures of the population (in actual prices), millions of drams	53,531.4	7.7-fold
Consumer price index	—	446.8/123.2*

	January-May 1995	January-May 1995 in % of January-May 1994
Exports, millions of drams	26,809.6	101.9
Imports, millions of drams	90,034.7	178.3

*In the denominator—June 1995 compared to December 1994.

According to figures of the Statistical Administration of the Nagorno-Karabakh Republic the index of physical volume of industrial production during January-June 1995 as compared to the corresponding period of last year was 93.7 percent. Of the products produced, 54.6 percent were sold.

The production of consumer goods as compared to the first half of 1994 amounted to 101 percent.

The state assignment for meat procurements was fulfilled by 129.7 percent.

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The basic socioeconomic indicators of the CIS countries according to figures of the Interstate Statistical Committee of the CIS during January-June 1995 are characterized by the following:

(In percentages of January-June 1994, in comparable prices)

	Gross domestic product	Overall volume of industrial production	Price index of producers of industrial products	Shipment of freight by general-purpose rail transportation	Retail commodity turnover of officially registered enterprises	Monetary incomes of the population (in actual prices)	Monetary expenditures of the population for purchasing goods and paying for services (in actual prices)	Exports	Imports
Armenia	112.8	111.3	5.3-fold	104.6	119.5	6.1-fold	7.8-fold	101.9*	178.3*
Belarus	87	91.8	18.1-fold	98.8	63.9	13.3-fold	13.2-fold	98.3	86.2
Georgia	—	78.7	—	136.9	3.3-fold	—	—	—	—
Kazakhstan	81.5	84.1	10.8-fold	88.0	46	5.0-fold	7.3-fold	155.7	72.0
Kyrgyzstan	91.1	82.8	153.0	54.2	—	142.8	134.8	105.0	2.2-fold
Moldova	—	79.5	163.0	87.6	92.3	164.0	169.7	124.7	2.9-fold
Russia	96	97	350	95	91	298	308	124	115
Tajikistan	—	76.0	304	55	79	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—	—
Uzbekistan	—	85.1	12.0-fold	85.9	—	4.3-fold	4.4-fold	90.2	104.1
Ukraine	88.6	86.4	—	89.4	91.2	—	—	—	—
Azerbaijan	82.9	73.0	27.5	64	76	9.3-fold	11-fold	58.4	56.1

*January-May 1995 in percentages of January-May 1994

The population of the Republic of Armenia as of 1 October, according to preliminary figures, was 3,748,000.

The republic's resident population is much less since a considerable number of people who were absent are not included and are not properly documented by authorized organs responsible for keeping track of migration.

During January-June 1995 the number of people employed in the republic economy was 1,466,000 and had decreased by 2.6 percent as compared to the corresponding period of last year.

According to figures of the Employment Administration of the Ministry of Labor and Social Security of the Republic of Armenia, as of 1 July 1995, 107,200 had applied for employment and were registered, of whom 96.5 percent or 103,500 were unemployed population. The status of unemployed was assigned to 99.0 percent or 102,500 individuals, including 71,100 (69.4 percent) who were women. The number of unemployed increased by 10.6 percent as compared to the preceding month.

The number of unemployed receiving compensation was 47,900, and the average amount of the compensation was 1,801 drams.

In the republic as a whole the level of unemployment calculated as the ratio between the number of registered unemployed and the number of economically active population (nonworking and employed) in May 1995 was 6.5 percent, and as compared to the preceding month had increased by 0.6 points, and as compared to the corresponding month of last year had decreased by 0.5 points.

The enterprises' demand for work force as of 1 July was 900 individuals, including 626 in the labor occupations.

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In June 1995 216 people were placed in jobs with the help of employment services.

The average monthly nominal wage of individuals employed in the state sector (including the total of material aid and social benefits) in May 1995 was estimated to be 7,000 drams, which exceeds the minimum wage by a factor of 14.7. As compared to the preceding month the average monthly wage increased by 2.9 percent, and as compared to the corresponding month of last year—by a factor of 5.1, and in budget-financed organizations it increased by 2.0 percent and by a factor of 3.6, respectively. During January- May 1995 the average monthly nominal wage amounted to 5,900 drams and as compared to the corresponding period of last year increased by a factor of 8.7. The consumer price index increased during this same period by a factor of 5.2. This means that the real earnings grew by a factor of 1.7.

Finances, Monetary Circulation, and Incomes and Expenditures of the Population

As of 1 July 1995 the budget received 29.0387 billion drams in state revenues from taxes and fees, including revenues in foreign currency.

Of the tax revenues 70.5 percent was formed from profit tax, value added tax, income tax, and excise tax.

Profit tax accounted for 36.9 percent of the overall revenues. According to figures from the tax inspectorate, the proportion of profit tax from state enterprises and organizations (hereinafter referred to as enterprises) was 90.8 percent, and from nonstate ones—9.2 percent. During January-June as compared to January-May 1995 the proportion of profit tax from state enterprises increased by 0.9 points, and from nonstate enterprises it decreased by 0.9 points.

Value added tax holds second place in overall revenues— 20.7 percent.

Income tax amounted to 10.1 percent of the overall revenues.

A considerable share, 89.9 percent, of the revenues from excise taxes are for products produced in the republic, 69.3 percent of which are cognac production, and 10.1 percent—imported products.

For individual types of taxes as of 1 July 1995 the arrears amounted to 11.2709 billion drams. They are significant for the following types of taxes: profit tax—5.1059 billion drams, value added tax—4.3981 billion drams, and excise and income tax—1.0942 billion and 32.1 million drams, respectively.

According to figures of the republic Gosbank [State Bank], as of 1 June 1995 credit investments (not including credit granted to the government) amounted to 21.5744 billion drams, and as compared to 1 May 1995 they had increased by 3.4849 billion drams or 19.3 percent. Short-term credit increased by 19.3 percent while long-term credit remained unchanged.

In the overall volume of credit investments as of 1 June 1995 credit in foreign currency amounted to 9.9003 billion drams.

Most of the credit investments were for short-term loans.

Accounts receivable of banks operating in the republic as of 1 June 1995 amounted to 2.1404 billion drams.

Monetary incomes of the population during January-June of this year amounted to 58.913 billion drams and increased as compared to the corresponding period of last year by a factor of 6.1 (in June as compared to May—by 7.0 percent).

Thus monetary incomes of the population also increased more rapidly than consumer prices did—by 36.5 percent (in the first half of 1995 as compared to the corresponding period of 1994 the price index increased by a factor of 4.5).

Monetary expenditures during January-June amounted to 53.531 billion drams and increased as compared to the six months of the preceding year by a factor of 7.7, and in June as compared to May—by 4.4 percent. Additionally, the growth of expenditures on purchasing of goods and paid services in June amounted to 120.4 percent.

Information on monetary incomes and expenditures of the population is formed on the basis of figures received from the banking and financial systems (for incomes—wages, pensions, grants, stipends, insurance reimbursements, interest on investments, etc.; for expenditures—expenditures on purchasing goods and paying for services, tax, fees, and other sums that have been collected and have entered the banking and financial systems).

Based on studies that have been conducted, one can draw the conclusion that in the calculation of the indicator of monetary incomes of the population there is a tendency toward underestimation, which is explained by the fact that some of the economic agencies when conducting their economic activity, in order to avoid taxes, conduct financial operations with cash, thus bypassing the banking system.

This is shown by the following calculations. The sum of retail commodity turnover (not including specialized consumption and small-scale wholesale commodity turnover) and services rendered to the population (not including transportation and other costs related to

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business trips) amounted to 80.765 billion drams, which exceeds the reported indicator of the income of the population by 37.1 percent. The conclusion that follows is that the monetary incomes of the republic population exceed the figures from the official reports by at least one-third.

Prices and Rates

In June 1995 the change in prices on the republic's consumer market was related to the increase in state regulated prices for bread and rates for certain municipal services and communications services (the drinking water supply, sanitary treatment, and the monthly telephone subscription payment), changes in the conditions of supply and demand on the market, and the seasonality of the production of agricultural products. In June as compared to May the consolidated consumer price index was 100.6 percent. Not including the prices for state regulated goods and services, the growth amounted to 99.5 percent. The growth of rates and prices for state regulated goods and services amounted to 117.0 percent.

During January-June as compared to the corresponding period of last year the consumer price index increased by a factor of 4.5, including for foodstuffs (including alcoholic beverages and tobacco)—by a factor of 4.6, nonfoodstuffs—by a factor of 2.8, and rates for paid services—by a factor of 6.3.

An analysis of the dynamics of consumer prices during the six months of 1995 shows that a large share of them have an increase in prices (rates) for state regulated goods and services. Thus, for example, while in June as compared to December 1994 the consolidated consumer price index was 123.2 percent, its growth not including state regulated goods and services amounted to 118.3 percent, and the growth of rates for state regulated goods and services was 199.8 percent, of which for bread—167.7 percent, and paid services—263.6 percent, including for passenger transportation—216.4 percent, communications services—sixfold, and housing and municipal services—2.3-fold, etc.

But during January-June 1995 the rate of the average monthly increase in consumer prices was 3.6 percent, which is almost 12 times below the rate of the average monthly increase of consumer prices during the six months of 1994 (42.6 percent).

In June for the first time on the consumer market prices of foodstuffs (including alcoholic beverages and tobacco) decreased during six months by 0.4 percent while in May they increased by 8.3 percent. Throughout the month there was a tendency toward reduction of prices of certain food products. Thus prices of fruits and vegetables decreased by 10.8 percent, butter and vegetable oil—5.9 percent, eggs—4.4 percent, tobacco—3.6 percent, coffee, tea, cocoa and fish products—1.5 percent, and fruits—0.3 percent. Prices increased in the following commodity groups: bread products—13.4 percent (including bread—22.1 percent), meat products—6.0 percent, sugar—4.8 percent, confectionery items—1.8 percent, dairy products—1.7 percent, and alcoholic beverages—0.5 percent.

There was an insignificant rise of price levels on the market for nonfoodstuffs. During June as compared to May the price index was 100.4 percent as against 101.7 percent during the preceding month. A price reduction was observed in the following commodity groups: passenger vehicles and gasoline—7.7 percent (including gasoline—12.0 percent), cosmetics—2.9 percent, garden and yard supplies—1.0 percent, fabrics—0.8 percent, haberdashery items—0.7 percent, and detergents—0.4 percent. A price increase was observed in the following commodity groups: furniture—6.4 percent, cultural goods—2.1 percent, footwear—1.7 percent, including men's footwear—2.0 percent, women's—1.8 percent, and children's—1.2 percent, office supplies—1.6 percent, construction materials and fuel—1.4 percent, household electrical appliances—1.2 percent, medications- -0.9 percent, kitchen items—0.7 percent, jewelry—0.5 percent, etc.

In June 1995 as compared to May the growth of rates of paid services to the population amounted to 8.2 percent, which was related mainly to the increase in rates for paid communications services and municipal services.

In June as compared to June 1994 the consolidated consumer price index amounted to 273.7 percent. Prices of foodstuffs (including alcoholic beverages and tobacco) increased by a factor of 2.7. Including for bread products—6.0 (the price increase was brought about by the increase in state regulated prices for grain by a factor of 10.5), eggs—2.9, nonalcoholic beverages and also fish products—1.7, butter and vegetable oil, coffee, tea, cocoa, and meat products—1.6, confectionery items and sugar—1.4, vegetables and potatoes—1.2, alcoholic beverages—1.1, etc.

It should be noted that in certain commodity groups there was no rise in the price level throughout the 12 months.

In June as compared to June 1994 the rates for paid services rendered to the population increased by a factor of 4.3, including for housing and municipal services—19.3, legal and banking—15.0, communications services—11.4, medical services—3.8, cultural services—2.0, recreational services—2.1, passenger transportation—1.9 (intraurban—2.9, interurban

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transportation—1.6), consumer services—1.9, public catering—1.8, and education—1.3.

The significantly large growth of rates for housing and municipal services, communications services, and intraurban passenger transportation was conditioned by the deregulation of state regulated rates.

During January-June 1995 in all population points that were studied the reduction of prices for several types of commodities continued. Thus prices of eggs during the five months decreased by an average of 35.4 percent, coffee, tea, and cocoa—17.6 percent, vegetable oil—14.2 percent, vermicelli and macaroni, 10.4 percent and 9.1 percent, respectively, alcoholic beverages—4.1 percent, confectionery items—1.9 percent, gasoline—30.6 percent, oil—26.6 percent, compressed gas—25.5 percent, detergents—15.4 percent, cosmetics—13.4 percent, and matches—1.9 percent. There was an increase in prices of fruits—64.5 percent, meat products—58.5 percent, vegetables and potatoes—26.2 percent, including potatoes—96.0 percent, fish products—33.1 percent, nonalcoholic beverages—32.1 percent, dairy products—25.8 percent, rugs—22.8 percent, medications—21.1 percent, furniture—17.7 percent, fabrics—14.5 percent, kitchen items—14.3 percent, footwear—13.5 percent, household electrical appliances—11.5 percent, textile items—10.6 percent, etc.

The consolidated index for rates of cargo shipments during June as compared to the preceding month was 99.7 percent, including air—100.2 percent, automotive—98.2, and rail—100.1 percent. In June 1995 as compared to June of last year it was 114.0 percent, and during January-June 1995 as compared to the corresponding period of last year—202.4 percent.

In June in the republic's industry as compared to the consumer market there was an insignificant growth of prices of industrially produced goods. The consolidated price index for industrially produced goods in May 1995 as compared to the preceding month was 101.2 percent (12.2 percent).

In June 1995 as compared to June of last year prices of industrially produced goods increased by a factor of 2.4, and in January-June as compared to the corresponding period of last year—by a factor of 5.3.

The Consumer Market for Goods and Services

According to estimates, the overall volume of retail commodity turnover in the republic during January-June 1995 in actual prices was about 71 billion drams, and the increase as compared to January-June of last year in comparable prices was 67.4 percent, and in June as compared to May 1995 the increase was 26.7 percent.

Of the overall volume of retail commodity turnover the volume of state trade and consumers' cooperation, including the turnover in public catering, during January-June 1995 in actual prices was 17.7 billion drams, and separate from that the republic's Ministry of Trade delivered 163 million drams worth of products to special consumers. The growth of retail commodity turnover in comparable prices during January-June as compared to the corresponding period of last year was 19.5 percent, and in June 1995 as compared to May the growth was 31.2 percent.

Of the overall volume of commodity turnover in state trade, the turnover of public catering during January-June 1995 in actual prices was 407 million drams, which in comparable prices is 56.2 percent of the amount for January-June 1994. In June as compared to May 1995 commodity turnover in public catering decreased by 15 percent.

During January-June 1995 the overall volume of sales of agricultural products on the markets of the cities of Yerevan and Gyumri was 4.1 billion drams, and the increase as compared to the corresponding period of last year (in comparable prices) was 1.9 percent. The sale of crop growing products increased by 1 percent, including vegetables—by 10.9 percent, and of these—garlic—by 60 percent, carrots—by 1.3 percent, fresh tomatoes—by a factor of 1.3, and fresh cabbage—by a factor of 1.5, and the sale of fresh cucumbers decreased by 9.1 percent, and pumpkins, eggplant, and zucchini—by 63 percent. The sale of potatoes decreased by 50.4 percent.

During January-June 1995 1.049 billion drams worth of various types of fruits were sold, which is 2.8 percent more than during the corresponding period of last year, including pears—11.4 percent, citrus fruits—a factor of 2.5, and apples—3.6 percent.

According to the data received, during January-June 1995 on the markets of the cities of Yerevan and Gyumri 1.0438 billion drams worth of animal husbandry products were sold, and the increase in comparable prices as compared to the corresponding period of last year was 4.5 percent, including chicken—75.9 percent, and cheese—38.9 percent. The sale of beef decreased by 17.9 percent, pork—by 1.7 percent, mutton—by 13.1 percent, and eggs—by 23.4 percent.

During January-June 1995 in actual prices paid services (state sector) worth 13.737 billion drams were rendered to the population, which is 86.1 percent of the amount during January-June of last year in comparable prices.

According to estimates, the entire volume of paid services during January-June 1995 (in actual prices) in the republic was 17.9857 billion drams, which is 87.3

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percent of the amount during the corresponding period of last year in comparable prices. The volume of paid services from the nonstate sector was 4.2487 billion drams.

During January-June 1995 the volume of consumer services (state sector) in actual prices was 337.6 million drams, which is 109.4 percent of the amount during January-June of the preceding year in comparable prices.

Industry

According to the results of the first half of 1995, the republic produced only 70.6626 billion drams (in actual prices) worth of industrial products.

The index of the physical volume of industrial production was 111.3 percent. The index of the physical volume of production in June as compared to June of last year was 93.1 percent and as compared to May of this year—124.9 percent. Finished products were shipped for a total of 64.095 billion drams. Products delivered to the CIS countries amounted to 10.2557 billion drams, and exports to other countries—9.7946 billion drams.

During the first half of 1995, 57.9797 billion drams worth of finished products were sold.

The average scheduled number of industrial production personnel was 221,000, which is a decrease of 25,500 or 10.4 percent as compared to the corresponding period of last year.

The basic indicators of the operation of industry and of the main industrial ministries and departments during the first half of 1995 are characterized by the following figures:

	Volume of production (work, services)	Finished products sold, in actual prices, millions of drams	Index of physical volume of products (work, services) in comparable prices compared to the corresponding period of 1994, in % of first half year	including June
All industry	70,662.6*	57,979.7	111.3	93.1
of this:				
Ministry of Energy and Fuel	1,1927.8	8,989.1	99.1	89.1
Ministry of Industry	25,419.4	20,391.7	112.5	83.8
Ministry of Light Industry	3,536.9	2,316.4	105.0	103.7
Ministry of Foodstuffs and Procurements	18,603.7	17,690.7	90.1	87.1
Armpromstroymaterialy GPO	1,980.5	1,308.1	162.8	133.5
Ministry of Construction	618.5	563.3	160.6	133.0

Including nonstate sector

Of the 147 basic types of products expressed in physical terms taken into account in the immediate reports, for 52 the level of the corresponding period of last year was reached, including for products for production and technical services—30 of the 71, and consumer goods—22 of the 76.

The volume of production of consumer goods is characterized by the following figures:

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(in wholesale factory prices, millions of drams)

	Actual production volume during first half year		Index of physical volume of products, in %
	1995	1994	
Consumer goods, total	31,034.2	32,830.3	94.5
including:			
foodstuffs	11,236.4	13,850.3	81.1
alcoholic beverages (including beer)	3,609.6	3,916.6	92.2
Nonfood goods, total	16,188.2	15,063.4	107.5

During January-May 1995 industrial enterprises of the disaster zone produced 3.829 billion drams worth of products, which is 7.0 percent of the overall volume of industrial production in the republic as against 8.8 percent from the corresponding period of last year.

The index of the physical volume of production in the disaster zone was 90.2 percent. The index was especially low in Aniyskiy (14.5 percent), Idzhenanskiy (37.7 percent), and Taushskiy (38.4 percent) Rayons and the city of Gyumri (86.3 percent).

Enterprises of border regions produced 6.8725 billion drams worth of industrial products.

The index of the physical volume of production was 125.2 percent.

Agriculture

According to preliminary figures of the final report, the areas planted in agricultural crops in the republic for the 1995 harvest on all categories of farms is 359,800 hectares as against 358,100 hectares for the same period of last year. Of the overall area, grain and cereal crops occupy 176,700 hectares as against 182,000 hectares during the same period of last year, industrial crops—3,000 hectares as against 4,000 hectares, respectively, potatoes are planted on the same area as last year, 32,700 hectares, vegetables—21,300 hectares as against 20,800 hectares, melon crops—3,300 hectares as against 2,800 hectares, and all feed crops—125,500 hectares as against 120,100 hectares.

At state agricultural enterprises, as of 1 July 1995 as compared to the corresponding period of last year egg production increased by 102,000, and the average egg production per one hen—12. But less cattle and poultry meat (in live weight) was sold—by 117 tonnes, milk—234 tonnes, and the average milk yield per one cow decreased by 61 kilograms.

As of 1 July 1995 on all categories of farms of the republic 1,814 quintals of cattle and poultry were purchased (in live weight), which is 3,371 quintals less than during the corresponding period of last year, milk—21,454 quintals or 4,317 quintals less, and eggs—1.181 million or 196,000 less.

Capital Construction

During January-June 1995 through the republic budget, credit from the World Bank and the European Bank for Reconstruction and Development investment funds of the enterprises and organizations, money from the Ayastan All-Armenian Fund, and the private funds of the population for construction of individual residential funds, and also UN funds, capital investments amounting to 10.9212 billion drams were assimilated. The volumes of construction and installation work amount to 9.7785 and 3.9668 billion drams, respectively.

Decrees of the Government of the Republic of Armenia No. 253 of 10 May, No. 341 of 14 June, No. 351 of 19 June, No. 360 of 22 June, and No. 453 of 6 June approve an overall volume of capital investments to be made, which is 32.8999 billion drams, including in facilities for production purposes—22.9088 million drams. With the money allotted under the aforementioned decrees the republic made capital investments amounting to a total of 7.4905 billion drams or 22.8 percent of the annual order, including for production facilities—4.3731 billion drams (19.1 percent).

In terms of the sources of financing, the construction work done during the first half of 1995 is characterized by the following figures:

—With funds from the republic budget the overall volume of capital investments is 2.5154 billion drams or 37.3 percent of the annual order.

—Beginning in 1994 the European Bank for Reconstruction and Development granted credit for the construction of the fifth block of the Razdanskaya GRES [State Hydroelectric Power Plant] in an amount of $57.4 million. Decree No. 341 of the Government of the Republic of Armenia of 14 June 1995 "On Approving Capital Investments To Be Made for Expanding the Razdanskaya GRES with Funds from the European Bank" this year envisioned granting credit for an amount of $29.4998 million (12.0318 billion drams). During January-June of this year construction work was carried out for a total of $4.1336 million (1.6806 billion

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drams) or 14 percent of the overall volume envisioned for the year.

Since the beginning of construction work up to this point, investments have been made for a total of $10.126 million or 17.6 percent of the overall volume of credit from the European Bank for Reconstruction and Development.

—According to Decrees of the Government of the Republic of Armenia of 10 May 1995, No. 253, 19 June, No. 351, and 6 July, No. 453, with credit from the World Bank for restoration of the disaster zone capital investments are to be made this year for a total of $23.0997 (9.4214 billion drams). During the first half year the Office for Implementation of the Program for Restoration Work performed $6.3583 million worth of construction work (2.5898 billion drams) or 27.5 percent of the annual order, of which investments in facilities for production purposes amounted to $687,500 (280.2 million drams). Of the overall volume of credit, an amount of $28.612 million granted in July 1994 for the first half of 1995 was used for construction and restoration work amounting to $9.9584 (34.8 percent of the overall amount of credit).

With credit granted from the World Bank the Office for Implementation of the Program of Restoration Work is conducting construction and restoration work at certain of the most important facilities of the republic. For construction of the Dilizhanskiy Impuls plant capital investments have been made in an amount of $85,700 or 12.6 percent of the annual order, the Spitak elevator plant—$98,300 (21.9 percent), the Vanadzor precision instrument plant—$741,200 (81 percent), the Gyumri Armelektrokondensator plant—$74,700 (8 percent), the Gyumri Tekstil sewing production association—$151,400 (39.1 percent).

The All-Armenian Ayastan Fund financed $931,900 (380.0 million drams) for capital construction during January-June 1995. Of the overall volume of investments, $300,000 went for construction of the Galidzor-Tatev highway and $191,000—for the Gandzakar-Navur section of the Idzhevan-Berd highway.

During the first half of this year private funds of the population for individual housing construction were used for capital investments amounting to 1.1114 billion drams.

The start-up complex of the Mars plant, with a production area of 90,000 square meters and fixed capital worth 150 million drams, which is of extremely great significance to the national economy, was commissioned using investment funds of the enterprise.

Using credit from the World Bank the Office for Implementation of the Program for Reconstruction Work commissioned the following: the main production plant of the Spitakskiy sewing association with an estimated value of fixed capital of $615,600 and the first section of the water pipeline from the Chazhkadskiya springs with a distance of 27 km (the estimated value of the fixed capital is $443,900), the final introduction of which will improve water supply for the city Spitak.

From all sources of financing during the first half year residential buildings were put into operation with an overall (usable) area of 101,400 square meters, which is 134.5 percent of the amount for the corresponding period of last year, and without using funds of the population—85,500 square meters and 253.7 percent, respectively. Funds of the population were used to commission 15,900 square meters of overall space in individual residential buildings (78 apartments and houses), which is 38.1 percent of the amount during the corresponding period of last year.

The construction of residential buildings and facilities for sociocultural purposes in the republic is carried out by the Office for Implementation of the Program for Restoration Work, which using World Bank credit has commissioned 56,600 square meters of residential space or 42.9 percent of the annual order, including in the following cities: Vanadzor—22,600 square meters (333 apartments), Gyumri—25,100 square meters (311), Spitak—7,100 square meters (107), and Stepanavan—1,800 square meters (24). In Vanadzor a kindergarten to accommodate 212 has been put into operation.

Using money from the All-Armenian Ayastan Fund residential buildings with an overall (usable) area of 8,700 square meters have been commissioned, and with funds from the republic budget—600 square meters (the Yergosovet Executive Committee—400 square meters and the executive committee of the Stepanavanskiy Rayon Council—200 square meters).

It must be noted with gratitude that funds from the UN High Commissariat for Refugee Questions have been used in a number of regions of the republic (Kotayk, Masis, Ashtarak, Krasnoselsk, and Sevan) to commission 19,600 square meters of overall (usable) space in residential buildings (20 apartments and houses).

Money from the republic budget was used to commission two polyclinics for 250 visits a shift (in Byuregavan—250 and Stepanavan—50).

The overall volume of contracting work performed through the internal forces of construction organizations of the republic amounted to 9.9776 billion drams, including with internal forces—8.1956 billion drams.

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Construction organizations of the Ministry of Construction carried out construction work valued at 4.8644 billion drams, which is 48.8 percent of the overall volume of contracting work: by the Ministry of Energy and Fuel—2.6404 billion drams (26.5 percent) and the Ministry of Agriculture—547.3 million drams (5.5 percent), respectively.

Transportation

Cargo turnover with general purpose transportation during January-June 1995 amounted to 209.6 million tonne/kilometers or 95.4 percent of the amount during the corresponding period of last year. It shipped 1,310,700 tonnes of freight—99.5 percent of the overall freight shipped during January-June of this year, including by rail transportation—356,900 tonnes or 104.6 percent, respectively, automotive transportation—944,000 tonnes or 98.0 percent, and air transportation—9,800 tonnes or 77.2 percent, respectively.

During January-June 1995 air transportation was used to ship 14,000 tonnes of freight to the republic, or 48.1 percent of the volume shipped during the corresponding period of last year, and rail transportation 586,700 tonnes or 99.5 percent, respectively.

During the first half of this year general purpose buses and taxis transported 37.9 million individuals, which is a 46.4 percent increase as compared to the corresponding period of last year.

Electric ground transportation (trams, trolley buses, cable cars) during January-June 1995 transported 16.0 million people, which is 8.5 percent more than during the corresponding period of last year, and subways—28.4 million people or 21.1 percent less. During the first half of 1995 air transportation was used to transport 414,300 individuals, which is 13.1 percent less than during the corresponding period of last year.

Passenger turnover on air transportation (using their own equipment) during the first half of 1995 amounted to 435.0 million passenger/kilometers and decreased as compared to the corresponding period of last year by 12.7 percent.

The number of traffic accidents on the highways and streets during January-June 1995 was 410 and it increased as compared to the corresponding period of last year by 44.4 percent, from which 114 poeple died and 454 individuals were injured as compared to 117 and 298 individuals, respectively, during the corresponding period of last year.

Communications

Revenues from the basic activity of communications enterprises during January-June 1995 amounted to 5.3064 billion drams, including from services rendered to the population—1.387 billion drams.

Foreign exchange proceeds received from exporting international communications services during January-June 1995 amounted to $6.1853 million, and from imports—$147,800.

Postal dispatches decreased during the first half of 1995 as compared to the corresponding period of last year. Thus the delivery of newspapers and magazines decreased by 46.9 percent, parcels—90.0 percent, monetary transfers—40.4 percent, telegrams—52.2 percent, letters and postcards—58.3 percent, and the number of interurban telephone conversations decreased by 20.5 percent.

Because of interruptions in the energy supply, the operation of technical equipment of telephone exchanges is not at the proper level and the lines are frequently damaged. During the first half of 1995 of the overall number of 2,786,872 orders that were taken for interurban telephone conversations, 21,045 were carried out. In city telephone exchanges, 191,917 cases of damage that were reported or 69.7 percent were corrected within the established time periods, and in rural exchanges these figures were 19,812 or 86 percent, respectively.

Foreign Economic Relations

The foreign trade turnover of the Republic of Armenia according to the estimate of the State Statistical Administration of the Republic of Armenia during January-May 1995 was 116.8443 billion drams (in current prices) or 286.6 million, and with foreign countries—52.0847 billion drams or $128.1 million, and with CIS countries—64.7596 billion drams or $158.5 million. The export volume was 26.8096 billion drams or $65.8 million, and imports—90.0347 billion drams or $220.8 million. The commodity balance is negative by 63.2251 billion drams or $155.0 million, and not including humanitarian aid—40.0632 billion drams or $97.7 million.

During January-May 1995 the republic received 206,540 tonnes of freight as humanitarian aid, including that which was granted by the government of the United States and countries of the European Economic Community, whose value at market prices of the republic was 23.1619 billion drams or $57.3 million.

During the report period commodities amounting to 17.5922 billion drams or $43.2 million were exported to the CIS countries, and 47.1674 billion drams or $115.3 million was imported, leaving a negative trade balance

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of 30.6334 billion drams or $72.1 million. During this same period exports to foreign countries amounted to 92.2174 billion drams or $22.6 million, and imports—42.8673 billion drams or $105.5 million. The trade balance was negative by 33.6499 billion drams or $82.9 million, and not counting humanitarian aid that was received—10.6236 billion drams or $25.8 million. It must be noted that 40.0 percent of the foreign trade turnover with foreign countries is with countries of the EEC, including 65.7 percent of the exports and 34.5 percent of the imports.

During January-May 1995 the state enterprise Armkontrakt of the Ministry of Material Resources and the state enterprise Armturteryd of the Ministry of Fuel and Energy exported to the Russian Federation on a clearing basis goods amounting to $0.9 million, and Turkmenistan—$17.8 million. At the same time for imports of natural gas Turkmenistan was paid $3.2 million in the form of a direct payment. The volume of imports amounted to $42.0 million and all of it was from Turkmenistan. It should be noted that as compared to January-May 1994 the volume of exports on a clearing basis decreased by 22.2 percent and amounted to 28.2 percent of the overall volume of exports, while during the same period of 1994 it was 34.1 percent.

As compared to the same period of 1994 the volume of exports, taking into account the difference between domestic and foreign prices of goods exported on a clearing basis, increased by 1.9 percent or $1.2 million, and not counting humanitarian aid—16.7 percent, and the volume of exports to foreign countries increased by 24.4 percent, while the volume to CIS countries (including mutual deliveries) decreased by 6.9 percent. The volume of imports increased by 78.3 percent or $[illegible].9 million, including from foreign countries—79.4 percent, and CIS countries—77.3 percent.

During the five months 61,494 tonnes of cargo was exported from the republic, including 43,603 tonnes or 70.9 percent—by automotive transportation, 13,008 tonnes or 21.2 percent—by rail transportation, and 4,884 tonnes or 7.9 percent—by air transportation. During that same period 797,364 tonnes of cargo were imported to the republic, including 375,822 tonnes or 47.1 percent—through the pipeline, 326,218 tonnes or 40.9 percent—by rail transportation, 64,856 tonnes (8.2 percent)—by automotive transportation, and 30,468 tonnes or 3.8 percent—by air transportation.

During January-May 1995, 38.1 percent of the overall volume of exports was cut and uncut diamonds, scraps and wastes of precious metals, and jewelry items; 16.5 percent—machines, equipment, and mechanisms; 5.4 percent—various industrial goods; 10 percent—nonprecious metals and items made from them; and 7.5 percent—knitted items. The main imported items are products of the food industry, animal husbandry and crop growing products—37.3 percent, mineral products—32.7 percent, and machines, equipment, and mechanisms—13.8 percent.

During January-May 1995 state enterprises exported 19.9767 billion drams worth of goods, or 74.6 percent of the overall volume. In the volume of imports (including energy sources and grain) the share of state enterprises amounts to 65.5 percent.

During January-May 1995 282,706 tonnes of products of the food industry, animal husbandry, and crop growing (including humanitarian aid) valued at 33.3546 billion drams ($82.3 million) was imported into the republic and 1,190 tonnes worth 847.8 million drams ($2.1 million) was exported. Imports were mainly grain, rice, and flour—$33.2 million, sugar and confectionery items made of sugar—2.9449 billion drams or $7.1617 million (14,546 tonnes), eggs—1.0808 billion drams or $2.,6419 million (44.3 million), vegetable oil and butter and fats—3.4628 billion drams or $8.5766 million (7,820 tonnes), butter—3.3564 billion drams or $8.3241 million (4,937 tonnes), meat and meat products—1.0334 billion drams or $2.5587 million (1,704 tonnes), coffee—1.0247 billion drams or $2.5246 million (503 tonnes), powdered milk and dairy products—2.4535 billion drams or $6.3493 million (3,596 tonnes), and exports were mainly cognac—681.6 million drams or $1.6669 million (775 tonnes).

Humanitarian Aid

According to data from customs declarations, during January-May 1995 the Republic of Armenia received as humanitarian aid, including grain given by the governments of the United States and the EEC countries, 206,540 tonnes of cargo, including: products of animal origin—7,210.9 tonnes, including 3,583.8 tonnes of butter and other animal fats, 3,421.8 tonnes of milk and dairy products, 141.2 tonnes of fish and fish products; products of vegetable origin—193,725.3 tonnes; oils and fats of vegetable and animal origin—2,510 tonnes (797 tonnes of vegetable oil and 1,520 tonnes of other fats); products of the food industry—1,647.2 tonnes (457 tonnes of confectionery products, 338.4 tonnes of canned fish, 851.8 tonnes of other finished products); products of chemistry and branches of industry related to it—838.6 tonnes (mainly medicines and pharmaceuticals); machines and mechanisms—86.5 tonnes; instruments and fittings—163.9 tonnes, and other goods—357.6 tonnes.

Humanitarian aid was received from 21 countries, mainly the United States (133,063 tonnes), Italy

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(48,792 tonnes), France (20,064 tonnes), Germany (1,057 tonnes), Switzerland (647 tonnes), Denmark (634 tonnes), Greece (524 tonnes), Great Britain (390 tonnes), Belgium (343 tonnes), the Netherlands (143 tonnes), Russia (150.2 tonnes), and other countries.

The humanitarian aid was addressed to the Ministry of Food and Procurements of the Republic of Armenia, the Fund for Assistance to Armenia (6,560.4 tonnes), the Committee of the Red Cross and the Red Crescent (658.8 tonnes), the International Food Program under the UN (7,294 tonnes), the Gyumri branch of the "CARE" organization (2,018.7 tonnes), and other organizations.

Legal Violations

During the first half of 1995, according to figures from the Ministry of Internal Affairs, 4,702 crimes were reported in the republic, which is 6.5 percent less than during the corresponding period of last year. The number of serious crimes decreased by 25 percent during the first half of 1995.

The greatest proportion of crimes (25 percent) are thefts—1,171, and there were 26.2 percent fewer of them than during the corresponding period of last year. In the overall number of thefts, 68 percent involve theft of private property of citizens. During the first half of 1995, 795 were reported (less than during the corresponding period of last year by 22.6 percent), including apartment burglaries—289 (30.9 percent less).

During the first half of 1995, 90 premeditated murders (with attempts on people's lives) were reported as compared to 114 during the corresponding period of last year, 59 cases of serious bodily injury (as against 76), 11 cases of rape (as against 19), and 130 cases of disorderly conduct (as against 118). Reports were made for 62 cases of theft and 51 muggings as against 60 and 80, respectively, during the first half of 1994. During the first half of 1995 the number of reported cases of swindling was 134, which is 21.8 percent more than during the first half of 1994.

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Estonia

Baltic Mafia Groups Assessed

954K0659B Helsinki HUFVUDSTADSBLADET in Swedish 15 Jul 95 p 6

[Article by Tiina Meri: "Bloody Internal Clashes in Tallinn's Underworld"]

[FBIS Translated Text] The big circular mirror rotates slowly in the ceiling, the big spotlights blink red and blue, in a corner the disk jockey changes records. Along the bar young men with crew cuts clad in Armani suits wait for female prey from the colorful crowd on the dance floor. If a young woman is singled out by an aromatic man with a gold chain around his neck there is no way out. If she is asked to go home with him it is not proper to refuse. At night the mafia is in charge.

But one girl who looks as if she feels quite composed here in one of Tallinn's more exclusive nightclubs is blonde Meelis Hiiob's girlfriend, a young woman who cautiously sips her gin and tonic through a straw. Her boyfriend has dazzled Estonian society with his courage in challenging Estonia's mafia groups as an investigative journalist with Estonia's biggest newspaper, EESTI EKSPRESS. Hiiob has exposed several gangs and crimes committed in the Estonian underworld in a number of articles that pull no punches, and at times he has dealt with really "inflammatory" material, as he says himself.

In the midst of his sworn enemies Meelis takes the situation calmly, although his shoulder holster hangs empty after he turned his revolver over to the guards in the foyer. "Of course my nerves are twitching. They know who I am and that I dare to defy them," says 24-year-old Meelis, pointing at a group of men in their thirties who do not differ in the slightest from the Hollywood image of the Sicilian Mafia.

Market Worth Billions Divided Up

The Armenian mafia, the Ingushetia, Chechenia, Belarus, and Perm mafias, and many more—they have all gained a foothold in the Baltic countries, and their activity has flourished for almost five years.

During this time the ethnically defined underworld has arrived at a balance of power in which the various groups have divided regions and "branches" up among themselves. Black-market sales in the Baltic states represent hundreds of millions, perhaps billions of dollars. The big sums stem from illegal metal exports to the West, trafficking in weapons, narcotics, refugees, and stolen cars, and prostitution. The Baltic countries have largely functioned as "transit countries" for trade between the western nations and Russia.

Although you can recognize the mafia men on the street and in the square the ordinary citizen does not necessarily notice the vast scope and cruelty of organized crime. There is an average of more than one murder a day in Estonia, a land with 1.5 million inhabitants. But a large number of the murders take place within the framework of the mafia's internal clashes. The mafia lives apart—in a world marked by power struggles and revenge.

On the other hand, organized crime has become discernible for many "ordinary" people through the collection of "taxes" from local businesses and foreign investors.

"The mafia has also infiltrated state structures to a much greater extent than we anticipated," said Estonian Internal Affairs Minister Edgar Savisaar, who promised to take energetic steps to combat organized crime. Savisaar has summoned experts to an advisory forum on how Estonia can solve the problem. In addition he expects to get help and advice from a number of western nations.

So far the mafia groups in the Baltic have been able to act without regard to the emerging state authorities. Jobs in the police, the customs service, and the prison system have been poorly paid, which encouraged corruption. It is no longer news that Estonia's internal affairs minister agrees with this.

But the problem is not just that social developments gave organized crime a free hand. "We know who the brains behind organized crime are, but we lack conclusive evidence against them," said Koit Pikaro, chief of the Estonian police division that combats organized crime.

No Means Shunned

According to Pikaro there are 13 mafia groups in Estonia with a core of four or five people who direct activities. Each layer within organized crime must pay "taxes" to the mafia "father"—the leader of the most powerful mafia group.

"Each mafia group surrounds itself with around 15 'support members.' The support members are the ones who actually commit the crimes."

Outsiders are occasionally used for special crimes—such as murdering a competitor or a debtor. And no means are shunned by the mafia. After all, they run little risk of getting caught, said Pikaro, but even so he believes that a couple of changes that are now being made in the penal code will provide better possibilities of acquiring evidence against the leaders of this underworld.

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Pikaro's special police unit is not the only group fighting organized crime in Estonia. The Estonian police are assisted by the elite "K Command," among others, a force consisting of 17 armed and well-trained men. In addition there are the volunteer police corps and the Home Guard, where ordinary citizens participate in the fight against crime.

Internal Affairs Minister Savisaar believes the volunteer efforts are very important. "But the fight against organized crime should not be based on beating our chests. We must act professionally and effectively without making a lot of noise," the minister said.

It will become increasingly difficult for the mafia in the Baltic states to make ends meet. Especially in Estonia, where the borders have become almost watertight. Refugee smuggling from Estonia has virtually ceased. And large parts of the market were lost in Estonia, Latvia, and Lithuania when metal trafficking declined. Now the mafia groups are looking for virgin territory—most recently trafficking in human organs has turned up, with the organs being sold to the West.

"The mafia is wiping itself out. When income possibilities decline everyone tries to grab what he can. This has led to an imbalance in the distribution of power, and in the last few months there has been a regular war of annihilation among a number of groups in Tallinn," said Pikaro.

"We may not get rid of the mafia," said Estonian Internal Affairs Minister Savisaar. "Organized crime in Estonia has become more and more professional. The mafia has supplied itself with advanced technology and expert knowledge. Crime has become increasingly economic in nature—violence is a less common element. And mafia people are moving into society as solid citizens in white shirts," Savisaar said.

"But our attempt to get hold of them via legal means has produced results. At the same time the internal conflicts have led several mafia representatives to leave Estonia. Staying here is too dangerous. That is a good sign," the internal affairs minister said.

At this point only fanatic policemen like Pikaro dare to challenge the mafia in Estonia. He is not frightened by threats—in spite of the fact that he has been given a "death sentence" several times. All while earning less than 700 Finnish markkas a month.

And for an equally low wage young Meelis Hiiob continues to give the mafia leaders a headache. He is not afraid of dying. On the contrary. "I don't want to get old and boring," he says, slipping into his light trench coat. He puts his arm around his girlfriend and strolls home through the summer night.

Military Adviser Views Armed Forces

954K0659A Helsinki HUFVUDSTADSBLADET in Swedish 12 Jul 95 p 3

[Article by Erik Appel: "Estonian Defense Going Astray?"]

[FBIS Translated Text] Estonia, like Finland, must assume sole responsibility for its defense. An army of 100,000 men would represent a threshold high enough to make an adversary think twice before crossing it.

That is what Colonel Matti Lukkari writes in a book that will come out toward the end of the year, *Viron itsenaistyminen* (Estonian Independence). After resigning as chief of our military academy Lukkari worked as military adviser to the Estonian political and military leadership in 1993-94. He exerted a substantial Finnish influence on Estonian military training and ideas, an influence that waned during the period when U.S.-trained Alexander Einseln was in command, however.

Lukkari is critical of General Einseln's line and his disparaging attitude toward the Estonian Armed Forces, especially toward the officers who received their training in the Red Army. Lukkari himself would obviously prefer Col. Ants Laaneots, a former Soviet armored division officer, as commander of the Armed Forces.

As a warm friend of Estonia Lukkari is also highly critical of our political and military leaders in the early spring of 1991 whose spokesmen, President Koivisto and Lieutenant General Gustav Hagglund, seriously warned the Estonians against dreaming of independence at a time when it was already too late to retreat and Estonia needed our support.

Koivisto and Hagglund were victims of Soviet disinformation and had no understanding of the Estonians, who have long memories in some respects, Lukkari writes.

HUFVUDSTADSBLADET presents a portion of the forthcoming book—with quite a few cuts made with the author's permission. It deals with the development of the Estonian Armed Forces with all its complications. The headline of the article and the subtitles below are furnished by the editor.

Four Battalions Initially

"On 3 September 1991, two weeks after independence was restored, Estonia's supreme council decided to establish Estonia's own defense system. The starting position was not encouraging. Some 38,000 members of the former occupation army still remained in the country and Estonia was seeking its general course.

"The Armed Forces were set up under the leadership of Col. Ants Laaneots, who had served in the Soviet

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armored troops and had given up a promising career a few years earlier to serve as chief of the mobilization office in Tarto (Dorpat). But he was not officially appointed as chief of the general staff until July 1992. The reason why the appointment took so long and why he was not named as commander of the Armed Forces was widespread prejudice against those who had served in the Soviet Army. It was politically impossible to think of a Soviet officer at the head of the country's army.

"However, the fact that the official appointment was slow in coming did not prevent Laaneots from setting to work. The training of conscripts in four battalions began quickly.

"The Combat School in Voru trained noncommissioned officers. Later a communications battalion was formed, as well as the framework of a future air force battalion.

"Officers are trained at the National Defense Academy (Riigikaitseakademia). Officers for border patrol duty, the police, and the customs service are also trained there. The military academy training lasts four years, and the first class will graduate in two years. The courses are led by officers trained in Finland, and the result may be seen as time goes by. Within a short time the academy's military division will become an independent officers' training school."

Defense Resolution Lacking

"Estonia lacks an actual parliamentary resolution on defense. The chairman of the Riigikogu (Estonian parliament) Defense Committee, Rein Helme, has tried to produce one. On the other hand, the Constitution and the conscription law provide guidelines that are precise enough.

"But the lack of a defense resolution leads to constant disagreements between the leaders of the Armed Forces and parliament.

"A new conscription law was enacted in 1994. It prescribes compulsory military service for a period of one year. In contrast to the practice during the advisory period, all male Estonian citizens have a military obligation. Before, college students were exempt. They received military training in connection with their studies.

"The direction of Estonia's military development is still open. Col. Laaneots has his standpoint; the new commander, Major General Einseln, has his. The politicians have their own views, as do the Finnish advisers. In the spring of 1995 one more development model for serious consideration turned up. Some newly appointed ministers were enthralled by Switzerland's militia system in which the country's defense is based on a very short conscription period and repeated reserve exercises. However, Switzerland's geographic location, terrain, and traditions differ so much from Estonia's that adapting the system to Estonia could lead to insurmountable problems. At any rate it will not be cheaper than a solution based on the Finnish model, even if they think it will."

United States Before Estonia

"At the beginning of May 1993 the Riigikogu appointed U.S. Col. Alexander Einseln as commander of the Armed Forces. A month later he was promoted to major general.

"Einseln was clearly the president's man for the job. Before the appointment he was examined by the parliament and the Defense Committee, and already then he inspired mixed emotions. When the Defense Committee asked him which loyalty oath he would obey, the one to the United States or the one to Estonia, if they came into conflict, he replied without hesitating: 'The one to the United States, of course.'

"Einseln was born in Tallinn in 1931 and left with his family in 1944, moving first to Germany and then to the United States. He received his military training in a university program. Evidently as a result of this he does not esteem the U.S. military academy training and those who have gone through West Point or the training provided at other officers' training schools. His opinion is that practical service is the best way to learn the skills of being an officer. He served in the Korean war and in Vietnam. He held staff assignments during his last years in the service. He retired from active duty in 1985.

"From a Finnish point of view choosing an American officer as commander was justified. The prejudice against everything Russian was so great that Col. Laaneots and his staff would have had no chance. An umbrella was needed under which they could work. That is also the way I though things would go. My initial impression of Einseln was positive."

Wants a Professional Army

"Gen. Einseln had an extremely poor view of Soviet officers' training, as he did of everything pertaining to the Soviet Army in general. I myself received a reprimand when he sharply criticized me for having praised not only him but also Col. Laaneots in a Finnish military journal. I should not have done that.

"Estonia's newly appointed commander visited Finland to familiarize himself with Finnish defense ideas. His remarks were very critical. I furnished him with all the English-language material I could find in print on Finnish defense matters, but he said he did not have

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time to study it. I also sent him many memorandums on developing Estonia's defense system, but did not receive a single reply.

"Gen. Einseln made rooting out all dishonesty and unreliability from the Armed Forces his primary objective. He was convinced that 50 years of occupation had altered all Estonians. Therefore he wanted to personally inspect all the Armed Forces' bills. His distrust of the officers was also apparent from the fact that during the time he has been there all officers with very few exceptions have been forced to change their duties or leave. They have been replaced by officers with very inadequate training and little experience.

"Gen. Einseln is also waiting for a defense resolution. He is assuming that a popular referendum will be held on the Armed Forces along with the question of universal conscription.

"He himself seems to clearly advocate a professional army. He thinks Estonia has no chance in a real war, and therefore a professional army of 5,000 men is adequate for peacetime requirements. He has expressed this disparagement of Estonia's defense capacity in interviews with foreign periodicals and elsewhere.

"Einseln's model for developing the Armed Forces is American. According to him, basic training for conscripts should be concentrated in a single big garrison from which the men are sent to specialize themselves in various units after they have finished their basic training. In an interview with a military journal he stated that the antiaircraft guns that were purchased from Israel are not being used because they require too much manpower. Missiles are needed instead. But there are none. He has flatly rejected the use of mines as being inhumane. He has not really had time to study the actual training."

Crisis of Confidence

"Col. Laaneots was chief of the general staff until the beginning of April 1994. He and Gen. Einseln served together for a little less than a year. His departure was due to a total crisis of confidence between two officers who represent entirely different ways of thinking.

"During almost his entire career Laaneots had served in the Soviet Army's armored troops in an operational capacity. Therefore he had very little experience in real staff work. This was certainly calculated to make cooperation with a superior who was the incarnation of U.S. staff work even more difficult.

"Even after he switched to civilian service Laaneots has participated in defense discussions and presented his views on how Estonia's defense should develop. He bases his ideas on the officers' courses he took in the Soviet Union. Tactical exercises and research work there made it clear that an enemy that utilized regional defense was the most difficult adversary for Soviet tanks. Laaneots is convinced that Estonia has no alternative to the Finnish model. His proposals for organizing the Armed Forces are also very Finnish. Einseln has not taken a stand on this while awaiting the defense resolution.

"Col. Laaneots is ready to return to the Armed Forces if he is needed."

Col. Lukkari writes that in the beginning he was a member of the commission appointed by President Meri to check all those who wanted to become officers in the Estonian Armed Forces and recommend a rank for each person that corresponded to the qualifications of the individual in question.

Finnish Instructors

In addition to Lukkari the commission included Finland volunteer Sven Ise, a second lieutenant in the Finnish Army; Reserve Captain Aho Rebas, an expatriate from Sweden; German Army Capt. Robert Telliskivi, who attended Estonia's own military academy during the earlier period of independence; and Soviet Army Col. Rein Vark, who served as the Armed Forces' personnel chief without a military rank.

The commission submitted its carefully considered and annotated recommendations to the president, who approved them. But then Einseln, ignoring the commission's suggestions and without consulting it, began presenting appointment matters directly to the president. That ended the commission's activity.

Lukkari continues: "The first officers trained in Finland took up their duties in the summer of 1994. They are undeniably Estonia's best instructors. Naturally they have problems getting their immediate superiors to go along with a new kind of training. But progress is being made. At the beginning of April 1993, as agreed, I began my (one-year) activity as the political and military leadership's coworker/adviser. Laaneots was then chief of the general staff and at the same time handled the duties of commander. When Einseln became commander of the Armed Forces soon afterward the constellation was clear. A Finnish colonel did his best to assist a leadership triumvirate with U.S., Soviet, and Swedish (Defense Minister Rebas) training."

The language difficulties were not always the biggest obstacle when it came to finding a joint line. Laaneots was clearly the quickest to adopt the Finnish line.

"I drew up my plan of how the Finnish training assistance should be organized. My proposal was approved

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as such. Under it a Finnish officer/supervisor would be assigned to each unit and to the officer training program at the National Defense Academy. In addition a reserve officer qualified as a field instructor or experienced in refresher training would be assigned to each unit. The main task at this stage was considered to be training instructors and supporting the commanders.

"The cooperation got under way according to plan. The commanders and instructors received the Finns with enthusiasm. Results began to be seen. Despite a lack of professional skill the instructors were enthusiastic and willing to learn. The conscript material was entirely of Finnish caliber. After a few months the number of Finnish instructors had to be reduced from 10 to three, however, because the money ran out. It was needed for other defense tasks. It was later possible to arrange Finnish financing so the activity could continue to a limited extent."

Valuable Time Lost

As agreed, Lukkari left his post in April 1994. President Meri asked him to become his personal adviser, but Lukkari declined with thanks.

In his place Lieutenant Colonel Eero Riuttala moved into the president's office and became his senior aide, a post he will leave this summer. Since the fall of 1994 Finnish aid has been coordinated by Lt. Col. Jukka Hyle. In addition to him three Finnish instructors worked in Estonia in the spring of 1995.

"The Finns would be prepared for a considerably larger effort in building up the Estonian Armed Forces," Lukkari writes. "However, in the atmosphere that currently prevails within the leadership it is not practical to increase the number, even if the financing could be arranged."

"During the year I spent in Estonia I wrote many memorandums with suggestions for concrete measures. At first these led to results, as Col. Laaneots and his subordinates still had a free hand. In the spring of 1994, however, their freedom of action was cut to a minimum. After that practical reforms came to an end.

"Before I left I prepared an extensive report on the points I regarded as most important when it came to training the Armed Forces. I was especially disturbed that very valuable time, from an Estonian perspective, was being lost. As long as the Soviet system that still prevails in Russia is in a weakened state it is also possible to develop Estonia's defense.

"Estonia could set up a reserve army of around 100,000 men fairly quickly. This assumes that each annual cohort of conscripts is trained and that reserve exercises are arranged for the men who received their training in the Soviet Army. An army of 100,000 men would represent a threshold high enough to make an adversary reluctant to cross it for minor reasons. I see no possibility of Estonia joining NATO. Estonia, like Finland, must assume sole responsibility for its defense."

Laaneots Best Qualified

In conclusion Lukkari presents Laaneots, the armored division colonel from the Red Army who gave up a brilliant career to enter the service of his native country but encountered prejudice and fell out with the new commander. "When relations between superior and subordinate are not as they should be, the subordinate steps aside," Lukkari writes. Laaneots resigned at the end of March 1994.

"At heart Ants Laaneots is an Estonian officer. If he is needed, he is prepared to take his place in the ranks again. There is no officer in Estonia who is better qualified to serve as the future commander of the Armed Forces."

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